



GENERAL ASSEMBLY

COMMONWEALTH OF KENTUCKY

2009 REGULAR SESSION

HOUSE BILL NO. 416

AS ENACTED

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TREY GRAYSON
SECRETARY OF STATE
COMMONWEALTH OF KENTUCKY
BY R. Adler

AN ACT relating to retirement.

Be it enacted by the General Assembly of the Commonwealth of Kentucky:

1 ➔Section 1. KRS 16.505 is amended to read as follows:

2 As used in KRS 16.505 to 16.652, unless the context otherwise requires:

3 (1) "System" means the State Police Retirement System created by KRS 16.505 to
4 16.652;

5 (2) "Board" means the board of trustees of the Kentucky Retirement Systems;

6 (3) "Employer" or "State Police" means the Department of Kentucky State Police, or its
7 successor;

8 (4) "Current service" means the number of years and completed months of employment
9 as an employee subsequent to July 1, 1958, for which creditable compensation was
10 paid by the employer and employee contributions deducted except as otherwise
11 provided;

12 (5) "Prior service" means the number of years and completed months of employment as
13 an employee prior to July 1, 1958, for which creditable compensation was paid to
14 the employee by the Commonwealth. Twelve (12) months of current service in the
15 system are required to validate prior service;

16 (6) "Service" means the total of current service and prior service;

17 (7) "Accumulated contributions" at any time means the sum of all amounts deducted
18 from the compensation of a member and credited to his individual account in the
19 member's contribution account, including employee contributions picked up after
20 August 1, 1982, pursuant to KRS 16.545(4), together with interest credited on such
21 amounts as provided in KRS 16.505 to 16.652; and any other amounts the member
22 shall have contributed, including interest credited. *For members who begin*
23 *participating on or after September 1, 2008, "accumulated contributions" shall*
24 *not include employee contributions that are deposited into accounts established*
25 *pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510,*

61.515, and 78.520, as prescribed by subsection (2)(b) of Section 22 of this Act;

(8) "Creditable compensation" means all salary and wages, including payments for compensatory time, paid to the employee as a result of services performed for the employer or for time during which the member is on paid leave, which are includable on the member's federal form W-2 wage and tax statement under the heading "wages, tips, other compensation," including employee contributions picked up after August 1, 1982, pursuant to KRS 16.545(4). A lump-sum bonus, severance pay, or employer-provided payment for purchase of service credit shall be included as creditable compensation but shall be averaged over the employee's total service with the system in which it is recorded if it is equal to or greater than one thousand dollars (\$1,000). Living allowances, expense reimbursements, lump-sum payments for accrued vacation leave, and other items determined by the board shall be excluded. Creditable compensation shall also include amounts which are not includable in the member's gross income by virtue of the member having taken a voluntary salary reduction provided for under applicable provisions of the Internal Revenue Code. Creditable compensation shall also include elective amounts for qualified transportation fringes paid or made available on or after January 1, 2001, for calendar years on or after January 1, 2001, that are not includable in the gross income of the employee by reason of 26 U.S.C. sec. 132(f)(4). For employees who begin participating on or after September 1, 2008, creditable compensation shall not include payments for compensatory time;

(9) "Final compensation" means:

(a) For a member who begins participating before September 1, 2008, the creditable compensation of a member during the three (3) fiscal years he was paid at the highest average monthly rate divided by the number of months of service credit during the three (3) year period, multiplied by twelve (12); the three (3) years may be fractional and need not be consecutive. If the number of

1 months of service credit during the three (3) year period is less than twenty-
 2 four (24), one (1) or more additional fiscal years shall be used; or

3 (b) For a member who begins participating on or after September 1, 2008, the
 4 creditable compensation of the member during the three (3) complete fiscal
 5 years he or she was paid at the highest average monthly rate divided by three
 6 (3). Each fiscal year used to determine final compensation must contain
 7 twelve (12) months of service credit;

8 (10) "Final rate of pay" means the actual rate upon which earnings of a member were
 9 calculated during the twelve (12) month period immediately preceding the
 10 member's effective retirement date, including employee contributions picked up
 11 after August 1, 1982, pursuant to KRS 16.545(4). The rate shall be certified to the
 12 system by the employer and the following equivalents shall be used to convert the
 13 rate to an annual rate: two thousand eighty (2,080) hours for eight (8) hour
 14 workdays, one thousand nine hundred fifty (1,950) hours for seven and one-half (7-
 15 1/2) hour workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve (12)
 16 months, or one (1) year;

17 (11) "Retired member" means any former member receiving a retirement allowance or
 18 any former member who has filed the necessary documents for retirement benefits
 19 and is no longer contributing to the retirement system;

20 (12) "Retirement allowance" means the retirement payments to which a retired member
 21 is entitled;

22 (13) "~~Actuarial~~[Actuarially] equivalent[benefits]" means a benefit~~[benefits which are]~~
 23 of equal value when computed upon the basis of actuarial tables adopted by the
 24 board. In cases~~[, except that, in case]~~ of disability retirement, the options authorized
 25 by KRS 61.635 shall be computed by adding ten (10) years to the age of the
 26 member, unless the member has chosen the Social Security adjustment option as
 27 provided for in KRS 61.635(8), in which case the member's actual age shall be

1 used. No disability retirement option shall be less than the same option computed
2 under early retirement;

3 (14) "Authorized leave of absence" means any time during which a person is absent from
4 employment but retained in the status of an employee in accordance with the
5 personnel policy of the Department of Kentucky State Police;

6 (15) "Normal retirement date" means:

7 (a) For a member who begins participating before September 1, 2008, the first
8 day of the month following a member's fifty-fifth birthday, except that for
9 members over age fifty-five (55) on July 1, 1958, it shall mean January 1,
10 1959; or

11 (b) For a member who begins participating on or after September 1, 2008, the
12 first day of the month following a member's sixtieth birthday;

13 (16) "Disability retirement date" means the first day of the month following the last day
14 of paid employment;

15 (17) "Dependent child" means a child in the womb and a natural or legally adopted child
16 of the member who has neither attained age eighteen (18) nor married or who is an
17 unmarried full-time student who has not attained age twenty-two (22);

18 (18) "Optional allowance" means an actuarially equivalent benefit elected by the member
19 in lieu of all other benefits provided by KRS 16.505 to 16.652;

20 (19) "Act in line of duty" means an act occurring or a thing done, which, as determined
21 by the board, was required in the performance of the duties specified in KRS
22 16.060. For employees in hazardous positions under KRS 61.592, an "act in line of
23 duty" shall mean an act occurring which was required in the performance of the
24 principal duties of the position as defined by the job description;

25 (20) "Early retirement date" means:

26 (a) For a member who begins participating before September 1, 2008, the
27 retirement date declared by a member who is not less than fifty (50) years of

- 1 age and has fifteen (15) years of service; or
- 2 (b) For a member who begins participating on or after September 1, 2008, the
- 3 retirement date declared by a member who is not less than fifty (50) years of
- 4 age and has fifteen (15) years of service credited under KRS 16.543(1),
- 5 61.543(1), or 78.615(1) or another state-administered retirement system;
- 6 (21) "Member" means any officer included in the membership of the system as provided
- 7 under KRS 16.520 whose membership has not been terminated under KRS 61.535;
- 8 (22) "Regular full-time officers" means the occupants of positions as set forth in KRS
- 9 16.010;
- 10 (23) "Hazardous disability" as used in KRS 16.505 to 16.652 means a disability which
- 11 results in an employee's total incapacity to continue as an employee in a hazardous
- 12 position, but the employee is not necessarily deemed to be totally and permanently
- 13 disabled to engage in other occupations for remuneration or profit;
- 14 (24) "Current rate of pay" means the member's actual hourly, daily, weekly, biweekly,
- 15 monthly, or yearly rate of pay converted to an annual rate as defined in final rate of
- 16 pay. The rate shall be certified by the employer;
- 17 (25) "Beneficiary" means the person, persons, estate, trust, or trustee designated by the
- 18 member in accordance with KRS 61.542 or 61.705 to receive any available benefits
- 19 in the event of the member's death. As used in KRS 61.702, "beneficiary" does not
- 20 mean an estate, trust, or trustee;
- 21 (26) "Recipient" means the retired member, the person or persons designated as
- 22 beneficiary by the member and drawing a retirement allowance as a result of the
- 23 member's death, or a dependent child drawing a retirement allowance. An alternate
- 24 payee of a qualified domestic relations order shall be considered a recipient only for
- 25 purposes of KRS 61.691;
- 26 (27) "Person" means a natural person;
- 27 (28) "Retirement office" means the Kentucky Retirement Systems office building in

1 Frankfort;

2 (29) "Delayed contribution payment" means an amount paid by an employee for
 3 purchase of current service. The amount shall be determined using the same formula
 4 in KRS 61.5525, and the payment shall not be picked up by the employer. A
 5 delayed contribution payment shall be deposited to the member's contribution
 6 account and considered as accumulated contributions of the individual member;

7 (30) "Last day of paid employment" means the last date employer and employee
 8 contributions are required to be reported in accordance with KRS 16.543, 61.543, or
 9 78.615 to the retirement office in order for the employee to receive current service
 10 credit for the month. Last day of paid employment does not mean a date the
 11 employee receives payment for accrued leave, whether by lump sum or otherwise, if
 12 that date occurs twenty-four (24) or more months after previous contributions;

13 (31) "Objective medical evidence" means reports of examinations or treatments; medical
 14 signs which are anatomical, physiological, or psychological abnormalities that can
 15 be observed; psychiatric signs which are medically demonstrable phenomena
 16 indicating specific abnormalities of behavior, affect, thought, memory, orientation,
 17 or contact with reality; or laboratory findings which are anatomical, physiological,
 18 or psychological phenomena that can be shown by medically acceptable laboratory
 19 diagnostic techniques, including but not limited to chemical tests,
 20 electrocardiograms, electroencephalograms, X-rays, and psychological tests;

21 (32) "Fiscal year" of the system means the twelve (12) months from July 1 through the
 22 following June 30, which shall also be the plan year. The "fiscal year" shall be the
 23 limitation year used to determine contribution and benefit limits established by 26
 24 U.S.C. sec. 415;

25 (33) "Participating" means an employee is currently earning service credit in the system
 26 as provided in KRS 16.543; ~~and~~

27 (34) "Month" means a calendar month; and

1 **(35) "Membership date" means the date upon which the member began participating**
 2 **in the system as provided by KRS 16.543.**

3 ➔Section 2. KRS 16.530 is amended to read as follows:

4 Under such rules and regulations as are adopted by the board, each employee becoming a
 5 member on July 1, 1958, shall have on file at the retirement office, on such forms as the
 6 board may prescribe, a statement of the facts pertaining to his status as a member which
 7 shall include a detailed description of all service rendered prior to July 1, 1958. Until
 8 such statement is filed, no member~~[or his beneficiary]~~ shall be entitled to receive any
 9 benefits under KRS 16.505 to 16.652. As soon as practicable after said statement is filed,
 10 the system shall ascertain the amount of prior service, if any, to which each member is
 11 entitled and shall issue to each member a certificate certifying the length of such service
 12 rendered by him.

13 ➔Section 3. KRS 16.555 is amended to read as follows:

14 All the assets of the system shall be held and invested in the State Police Retirement Fund
 15 and credited, according to the purpose for which they are held, to one (1) of **three (3)**~~[two~~
 16 ~~(2)]~~ accounts: the "member contribution account,"~~[or]~~ the "retirement allowance

17 **account," and accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds**
 18 **established in KRS 16.510, 61.515, and 78.520, as prescribed by subsection (2)(b) of**
 19 **Section 22 of this Act.**~~["]~~

20 ➔Section 4. KRS 16.560 is amended to read as follows:

21 (1) The member contribution account shall be the account to which all members'
 22 contributions, or contributions picked up by the employer after August 1, 1982, and
 23 interest allowances as provided in KRS 16.505 to 16.652 shall be credited, **except**
 24 **as provided by subsection (2)(b) of Section 22 of this Act;** only funds from this
 25 account shall be used to return accumulated contributions of a member when
 26 required by reason of any provision of KRS 16.505 to 16.652. Prior to the member's
 27 retirement, death, or refund in accordance with KRS 61.625, no funds shall be made

1 available from the member's contribution account.

2 (2) Each member's contribution or contribution picked up by the employer shall be
3 credited to the individual account of the contributing member, except as provided
4 by subsection (2)(b) of Section 22 of this Act.

5 (3) (a) Each member on June 30 of each year shall have his individual account
6 credited with interest.

7 (b) For members who begin participating before September 1, 2008, interest shall
8 be credited to their individual account at a rate determined by the board but
9 not less than two and one-half percent (2.5%) per annum on the accumulated
10 contributions of the member on June 30 of the preceding fiscal year.

11 (c) For members who begin participating on or after September 1, 2008, interest
12 shall be credited to their individual account at a rate of two and one-half
13 percent (2.5%) per annum on the accumulated contributions of the member on
14 June 30 of the preceding fiscal year.

15 (d) The amounts of interest credited to a member's account under this subsection
16 shall be transferred from the retirement allowance account.

17 (4) Upon the retirement of a member, his accumulated contribution shall be transferred
18 from the member's contribution account to the retirement allowance account.

19 (5) Included as a part of such member's contribution account shall be his accumulated
20 contributions in the Kentucky Employees Retirement System, if any, transferred to
21 this system.

22 ➔Section 5. KRS 16.576 is amended to read as follows:

23 (1) (a) Any member who begins participating before September 1, 2008, who has at
24 least five (5) years of service credit may retire at his normal retirement date, or
25 subsequent thereto, upon written notification to the system, setting forth at
26 what date the retirement is to become effective, if the effective date shall be
27 after his last day of service and subsequent to the filing of the notice at the

1 retirement office.

2 (b) Any member who begins participating on or after September 1, 2008, who has
3 at least five (5) years of service credited under KRS 16.543(1), 61.543(1), or
4 78.615(1) or another state-administered retirement system may retire at his or
5 her normal retirement date, or subsequent thereto, upon written notification to
6 the system, setting forth what date the retirement is to become effective, if the
7 effective date shall be after his or her last day of service and subsequent to the
8 filing of the notice at the retirement office.

9 (2) The member shall have the right to elect to have his retirement allowance payable
10 under subsection (3), (4), or (6) of this section or any one (1) of the plans set forth
11 in KRS 61.635.

12 (3) (a) Effective August 1, 1990, a member of the Kentucky State Police Retirement
13 System may elect to receive an annual retirement allowance, payable monthly
14 during his lifetime, equal to two and five-tenths percent (2.5%) of final
15 compensation for each year of service credit. Effective August 1, 1988, a
16 member of the County Employees Retirement System covered by this section
17 may elect to receive an annual retirement allowance, payable monthly during
18 his lifetime, equal to two and five-tenths percent (2.5%) of final compensation
19 for each year of service credit. Effective August 1, 1988, a member of the
20 Kentucky Employees Retirement System covered by this section may elect to
21 receive an annual retirement allowance, payable monthly during his lifetime,
22 equal to two and forty-nine hundredths percent (2.49%) of final compensation
23 for each year of service credit. The annual retirement allowance for a member
24 covered by this section shall not exceed the maximum benefit as set forth in
25 the Internal Revenue Code.

26 (b) A member of the State Police Retirement System, a member of the Kentucky
27 Employees Retirement System covered by this section, or a member of the

County Employees Retirement System covered by this section, whose participation begins on or after September 1, 2008, shall receive an annual retirement allowance, payable monthly during his or her lifetime, equal to:

1. One and three-tenths percent (1.3%) of final compensation for each year of service credit if the employee has earned ten (10) or less years of service at retirement;
2. One and one-half percent (1.5%) of final compensation for each year of service credit if the employee has earned greater than ten (10) but no more than twenty (20) years of service at retirement;
3. Two and one-quarter percent (2.25%) of final compensation for each year of service credit if the employee has earned greater than twenty (20) but less than twenty-five (25) years of service at retirement; or
4. Two and one-half percent (2.5%) of final compensation for each year of service credit if the employee has earned twenty-five (25) or more years of service at retirement.

- (4) The member may elect to receive a monthly retirement allowance payable for ten (10) years certain, actuarially equivalent to the retirement allowance payable under subsection (3) of this section. If the member should become deceased prior to the expiration of ten (10) years, his beneficiary, unless the beneficiary is the member's estate, shall receive the remaining payments monthly for the duration of the ten (10) years. If the member's estate is the beneficiary, the member's estate shall receive a lump-sum payment which shall be the actuarial equivalent to the remaining payments. The provisions of KRS 61.702 notwithstanding, the member who retired on June 17, 1978, or thereafter, and his spouse and eligible dependents[~~or beneficiary~~] shall continue to receive the insurance benefits to which they are entitled pursuant to KRS 61.702 after the expiration of ten (10) years. Effective with any insurance contract procured, or self-insurance plan instituted, after July 15,

1 1990, a member who retired prior to June 17, 1978, and his spouse and eligible
 2 dependents~~[or beneficiary]~~ shall receive insurance benefits pursuant to KRS 61.702
 3 upon payment by the member or beneficiary of the entire cost of the required
 4 insurance premium.

5 (5) Notwithstanding any other provisions of this section, upon written notification to
 6 the system, a member shall have the option to defer his election to receive his
 7 retirement allowance. The retirement allowance payable under a deferred option
 8 shall be increased to reflect the deferred receipt of benefits.

9 (6) In lieu of any other benefits due under KRS 16.505 to 16.652, a member who
 10 begins participating before September 1, 2008, who has attained age fifty-five (55)
 11 and who has attained at least one (1) month of service credit but no more than fifty-
 12 nine (59) months of service credit may elect to receive an annual retirement
 13 allowance, payable monthly or less frequently as determined by the board, which
 14 shall be determined by multiplying his accumulated contributions by two (2) and
 15 converting this amount to an annual retirement allowance based on an annuity rate
 16 adopted by the board which would pay the actuarial equivalent of twice his
 17 accumulated contributions over the lifetime of the retired member.

18 ➔Section 6. KRS 16.578 is amended to read as follows:

19 (1) If a member dies prior to retirement or before the first benefit payment has been
 20 issued by the State Treasurer, the member's beneficiary shall be eligible for the
 21 benefits provided by this section if the member had on file a written designation
 22 of a beneficiary with the retirement office and the member met the following
 23 conditions at the date of his or her death:

24 (a) The member was eligible to retire under KRS 16.576 or 16.577;

25 (b) The member was in active employment or on authorized leave of absence
 26 with five (5) or more years of service credit and died prior to his or her
 27 normal retirement date; or

1 (c) The member was not in active employment or on authorized leave of
 2 absence with twelve (12) or more years of service credit and died prior to his
 3 or her normal retirement date.

4 (2) If the beneficiary eligible for benefits as provided in subsection (1) of this section
 5 is a single person, then the beneficiary may elect to receive:

6 (a) A monthly benefit payable for the life of the beneficiary that is equal to the
 7 benefit that would have been paid had the member retired immediately prior
 8 to his or her date of death and elected to receive benefits payable under the
 9 survivorship one hundred percent (100%) option as provided in KRS
 10 61.635(2);

11 (b) A monthly benefit payable for the life of the beneficiary under the
 12 beneficiary Social Security adjustment option as provided in KRS 61.635(9)
 13 that is the actuarial equivalent to the amount computed under paragraph
 14 (a) of this subsection;

15 (c) A monthly benefit payable for a period of sixty (60) months that is the
 16 actuarial equivalent to the amount computed under paragraph (a) of this
 17 subsection;

18 (d) A monthly benefit payable for a period of one hundred twenty (120) months
 19 that is the actuarial equivalent to the amount computed under paragraph
 20 (a) of this subsection;

21 (e) A monthly benefit payable for a period of one hundred twenty (120) months
 22 that is equivalent to the benefit the member would have been entitled to
 23 receive based on his or her years of service and final compensation at the
 24 date of his or her death reduced by the survivorship fifty percent (50%)
 25 factor as provided for in KRS 61.635(4), then reduced by fifty percent
 26 (50%), and that is the actuarial equivalent to the amount computed under
 27 paragraph (a) of this subsection; or

- 1 (f) The higher of a refund of accumulated contributions and interest as
 2 described in KRS 61.625(1) or a one (1) time lump-sum payment which
 3 shall be the actuarial equivalent of the amount payable under paragraph (a)
 4 of this subsection for a period of sixty (60) months.
- 5 (3) If the beneficiary eligible for benefits as provided in subsection (1) of this section
 6 are multiple beneficiaries or a trust, then the multiple beneficiaries by consensus
 7 or the trustee may elect to receive the actuarial equivalent amounts payable under
 8 paragraph (c), (d), (e), or (f) of subsection (2) of this section using the assumption
 9 that the beneficiary's age is the same as the member's age.
- 10 (4) If the beneficiary eligible for benefits as provided in subsection (1) of this section
 11 is the member's estate, then the beneficiary shall receive the higher of a refund of
 12 accumulated contributions and interest as described in KRS 61.625(1) or the one
 13 (1) time lump-sum payment payable under paragraph (f) of subsection (2) of this
 14 section, using the assumption that the beneficiary's age is the same as the
 15 member's age.
- 16 (5) Payments of taxable distributions made pursuant to this section shall be subject
 17 to state and federal tax as appropriate. ~~If a member, eligible to retire as provided~~
 18 ~~in KRS 16.576, dies at any time before the first benefit payment has been issued by~~
 19 ~~the State Treasurer and has on file in the retirement office at the time of his death a~~
 20 ~~written designation of a beneficiary, the beneficiary may elect to receive an annual~~
 21 ~~benefit payable monthly which shall be equal to the benefit that would have been~~
 22 ~~paid had the member retired immediately prior to his date of death and elected to~~
 23 ~~receive payments under subsection (2) of KRS 61.635 or the beneficiary may elect~~
 24 ~~the actuarial equivalent payable for sixty (60) months certain or the beneficiary may~~
 25 ~~elect the actuarial equivalent payable for one hundred twenty (120) months certain;~~
 26 ~~or the beneficiary may elect to receive the beneficiary Social Security adjustment~~
 27 ~~payment under subsection (9) of KRS 61.635 or the beneficiary may elect the~~

1 actuarial equivalent refund.

2 ~~(2) If a member in active employment or on authorized leave of absence with five (5) or~~
3 ~~more years of service dies at any time before his normal retirement date and has on~~
4 ~~file in the retirement office at the time of his death a written designation of a~~
5 ~~beneficiary, the beneficiary may elect to receive an annual benefit payable monthly~~
6 ~~commencing in the month following the member's death which shall be equal to the~~
7 ~~benefit the member would have been entitled to receive, based on his age, years of~~
8 ~~service, and final compensation at the date of his death, had the member been~~
9 ~~eligible for retirement and had he chosen benefits payable under subsection (2) of~~
10 ~~KRS 61.635 or the beneficiary may elect the actuarial equivalent payable for sixty~~
11 ~~(60) months certain or the beneficiary may elect the actuarial equivalent payable for~~
12 ~~one hundred twenty (120) months certain, or the beneficiary may elect to receive the~~
13 ~~beneficiary Social Security adjustment payment under subsection (9) of KRS~~
14 ~~61.635 or the beneficiary may elect the actuarial equivalent refund.~~

15 ~~(3) If a member, not in active employment nor on authorized leave of absence with~~
16 ~~twelve (12) or more years of service, dies at any time before his normal retirement~~
17 ~~date and has on file in the retirement office at the time of his death a written~~
18 ~~designation of a beneficiary, the beneficiary may elect to receive an annual benefit~~
19 ~~payable monthly commencing in the month following the member's death which~~
20 ~~shall be equal to the benefit the member would have been entitled to receive, based~~
21 ~~on his age, years of service, and final compensation at the date of his death, had the~~
22 ~~member been eligible for retirement and had he chosen benefits payable under~~
23 ~~subsection (2) of KRS 61.635 or the beneficiary may elect the actuarial equivalent~~
24 ~~payable for sixty (60) months certain or the beneficiary may elect the actuarial~~
25 ~~equivalent payable for one hundred twenty (120) months certain, or the beneficiary~~
26 ~~may elect to receive the beneficiary Social Security adjustment payment under~~
27 ~~subsection (9) of KRS 61.635 or the beneficiary may elect the actuarial equivalent~~

1 refund.

2 ~~(4) An alternative calculation of benefits payable to the beneficiary under subsection~~
3 ~~(1), (2) or (3) of this section shall be determined by computing an annual benefit~~
4 ~~payable commencing in the month following the member's death which shall be~~
5 ~~equivalent to the benefit the member would have been entitled to receive based on~~
6 ~~his years of service and final compensation at the date of his death reduced by the~~
7 ~~survivorship fifty percent (50%) factor as provided for in KRS 61.635(4), then~~
8 ~~reduced by fifty percent (50%) and the actuarial equivalent payable for one hundred~~
9 ~~twenty (120) months certain shall be determined, or the beneficiary may elect to~~
10 ~~receive the beneficiary Social Security adjustment payment under subsection (9) of~~
11 ~~KRS 61.635.~~

12 ~~(5) If the member, subject to subsection (1), (2), (3), or (4) of this section, had on file a~~
13 ~~written designation of multiple beneficiaries, or his estate, trust, or trustee, the~~
14 ~~multiple beneficiaries by consensus or the administrator or executor of the estate or~~
15 ~~trustee may elect to receive the actuarial equivalent to the benefit allowable under~~
16 ~~subsection (1), (2), (3), or (4) of this section given the assumptions that the~~
17 ~~beneficiary's age is the same as the member's, and that the member had chosen~~
18 ~~benefits payable monthly for sixty (60) months certain, or one hundred and twenty~~
19 ~~(120) months certain, or an actuarial equivalent refund.~~

20 ~~(6) The beneficiary may elect to receive a one (1) time lump sum payment which shall~~
21 ~~be the actuarial equivalent of the amount payable under KRS 61.635(2) for a period~~
22 ~~of sixty (60) months. In the case of designation of multiple beneficiaries, an estate,~~
23 ~~trust, or trustee, the multiple beneficiaries by consensus, trustee, executor, or~~
24 ~~administrator of the estate may elect to receive a one (1) time lump sum payment~~
25 ~~which shall be the actuarial equivalent of the amount payable under KRS 61.635(2),~~
26 ~~assuming the beneficiary's age to be the same as the member's, for a period of sixty~~
27 ~~(60) months.~~

1 ~~(7) In the case of a single beneficiary who is a person, the highest monthly benefit~~
 2 ~~determined under subsection (1), (2), (3), (4), or (6) of this section for a life annuity,~~
 3 ~~for payments for sixty (60) months certain, for payments for one hundred twenty~~
 4 ~~(120) months certain, for the actuarial equivalent refund or for the beneficiary~~
 5 ~~Social Security payment shall be tendered to the beneficiary. In the case of~~
 6 ~~designation of multiple beneficiaries, an estate, trust, or trustee, the highest monthly~~
 7 ~~benefit determined under subsection (1), (2), (3), (4), (5), or (6) of this section for~~
 8 ~~payments for sixty (60) months certain or one hundred and twenty (120) months~~
 9 ~~certain or the actuarial equivalent refund shall be tendered to the multiple~~
 10 ~~beneficiaries, trustee, administrator, or executor of the estate.]~~

11 ➔ Section 7. KRS 61.510 is amended to read as follows:

12 As used in KRS 61.510 to 61.705, unless the context otherwise requires:

- 13 (1) "System" means the Kentucky Employees Retirement System created by KRS
 14 61.510 to 61.705;
- 15 (2) "Board" means the board of trustees of the system as provided in KRS 61.645;
- 16 (3) "Department" means any state department or board or agency participating in the
 17 system in accordance with appropriate executive order, as provided in KRS 61.520.
 18 For purposes of KRS 61.510 to 61.705, the members, officers, and employees of the
 19 General Assembly and any other body, entity, or instrumentality designated by
 20 executive order by the Governor, shall be deemed to be a department,
 21 notwithstanding whether said body, entity, or instrumentality is an integral part of
 22 state government;
- 23 (4) "Examiner" means the medical examiners as provided in KRS 61.665;
- 24 (5) "Employee" means the members, officers, and employees of the General Assembly
 25 and every regular full-time, appointed or elective officer or employee of a
 26 participating department, including the Department of Military Affairs. The term
 27 does not include persons engaged as independent contractors, seasonal, emergency,

- 1 temporary, interim, and part-time workers. In case of any doubt, the board shall
2 determine if a person is an employee within the meaning of KRS 61.510 to 61.705;
- 3 (6) "Employer" means a department or any authority of a department having the power
4 to appoint or select an employee in the department, including the Senate and the
5 House of Representatives, or any other entity, the employees of which are eligible
6 for membership in the system pursuant to KRS 61.525;
- 7 (7) "State" means the Commonwealth of Kentucky;
- 8 (8) "Member" means any employee who is included in the membership of the system or
9 any former employee whose membership has not been terminated under KRS
10 61.535;
- 11 (9) "Service" means the total of current service and prior service as defined in this
12 section;
- 13 (10) "Current service" means the number of years and months of employment as an
14 employee, on and after July 1, 1956, except that for members, officers, and
15 employees of the General Assembly this date shall be January 1, 1960, for which
16 creditable compensation is paid and employee contributions deducted, except as
17 otherwise provided, and each member, officer, and employee of the General
18 Assembly shall be credited with a month of current service for each month he
19 serves in the position;
- 20 (11) "Prior service" means the number of years and completed months, expressed as a
21 fraction of a year, of employment as an employee, prior to July 1, 1956, for which
22 creditable compensation was paid; except that for members, officers, and employees
23 of the General Assembly, this date shall be January 1, 1960. An employee shall be
24 credited with one (1) month of prior service only in those months he received
25 compensation for at least one hundred (100) hours of work; provided, however, that
26 each member, officer, and employee of the General Assembly shall be credited with
27 a month of prior service for each month he served in the position prior to January 1,

1 1960. Twelve (12) months of current service in the system are required to validate
 2 prior service;

3 (12) "Accumulated contributions" at any time means the sum of all amounts deducted
 4 from the compensation of a member and credited to his individual account in the
 5 members' contribution account, including employee contributions picked up after
 6 August 1, 1982, pursuant to KRS 61.560(4), together with interest credited on such
 7 amounts and any other amounts the member shall have contributed thereto,
 8 including interest credited thereon. For members who begin participating on or
 9 after September 1, 2008, "accumulated contributions" shall not include employee
 10 contributions that are deposited into accounts established pursuant to 26 U.S.C.
 11 sec. 401(h) within the funds established in KRS 16.510, 61.515, and 78.520, as
 12 prescribed by subsection (2)(b) of Section 22 of this Act;

13 (13) "Creditable compensation" means all salary, wages, tips to the extent the tips are
 14 reported for income tax purposes, and fees, including payments for compensatory
 15 time, paid to the employee as a result of services performed for the employer or for
 16 time during which the member is on paid leave, which are includable on the
 17 member's federal form W-2 wage and tax statement under the heading "wages, tips,
 18 other compensation," including employee contributions picked up after August 1,
 19 1982, pursuant to KRS 61.560(4). For members of the General Assembly, it shall
 20 mean all amounts which are includable on the member's federal form W-2 wage and
 21 tax statement under the heading "wages, tips, other compensation," including
 22 employee contributions picked up after August 1, 1982, pursuant to KRS 6.505(4)
 23 or 61.560(4). A lump-sum bonus, severance pay, or employer-provided payment for
 24 purchase of service credit shall be included as creditable compensation but shall be
 25 averaged over the employee's total service with the system in which it is recorded if
 26 it is equal to or greater than one thousand dollars (\$1,000). In cases where
 27 compensation includes maintenance and other perquisites, the board shall fix the

1 value of that part of the compensation not paid in money. Living allowances,
 2 expense reimbursements, lump-sum payments for accrued vacation leave, and other
 3 items determined by the board shall be excluded. Creditable compensation shall
 4 also include amounts which are not includable in the member's gross income by
 5 virtue of the member having taken a voluntary salary reduction provided for under
 6 applicable provisions of the Internal Revenue Code. Creditable compensation shall
 7 also include elective amounts for qualified transportation fringes paid or made
 8 available on or after January 1, 2001, for calendar years on or after January 1, 2001,
 9 that are not includable in the gross income of the employee by reason of 26 U.S.C.
 10 sec. 132(f)(4). For employees who begin participating on or after September 1,
 11 2008, creditable compensation shall not include payments for compensatory time;

12 (14) "Final compensation" of a member means:

13 (a) For a member who begins participating before September 1, 2008, who is not
 14 employed in a hazardous position, as provided in KRS 61.592, the creditable
 15 compensation of the member during the five (5) fiscal years he was paid at the
 16 highest average monthly rate divided by the number of months of service
 17 credit during that five (5) year period multiplied by twelve (12). The five (5)
 18 years may be fractional and need not be consecutive. If the number of months
 19 of service credit during the five (5) year period is less than forty-eight (48),
 20 one (1) or more additional fiscal years shall be used;

21 (b) For a member who is not employed in a hazardous position, as provided in
 22 KRS 61.592, whose effective retirement date is between August 1, 2001, and
 23 January 1, 2009, and whose total service credit is at least twenty-seven (27)
 24 years and whose age and years of service total at least seventy-five (75), final
 25 compensation means the creditable compensation of the member during the
 26 three (3) fiscal years the member was paid at the highest average monthly rate
 27 divided by the number of months of service credit during that three (3) years

1 period multiplied by twelve (12). The three (3) years may be fractional and
2 need not be consecutive. If the number of months of service credit during the
3 three (3) year period is less than twenty-four (24), one (1) or more additional
4 fiscal years shall be used. Notwithstanding the provision of KRS 61.565, the
5 funding for this paragraph shall be provided from existing funds of the
6 retirement allowance;

7 (c) For a member who begins participating before September 1, 2008, who is
8 employed in a hazardous position, as provided in KRS 61.592, the creditable
9 compensation of the member during the three (3) fiscal years he was paid at
10 the highest average monthly rate divided by the number of months of service
11 credit during that three (3) year period multiplied by twelve (12). The three (3)
12 years may be fractional and need not be consecutive. If the number of months
13 of service credit during the three (3) year period is less than twenty-four (24),
14 one (1) or more additional fiscal years shall be used;

15 (d) For a member who begins participating on or after September 1, 2008, who is
16 not employed in a hazardous position, as provided in KRS 61.592, the
17 creditable compensation of the member during the five (5) complete fiscal
18 years immediately preceding retirement divided by five (5). Each fiscal year
19 used to determine final compensation must contain twelve (12) months of
20 service credit; or

21 (e) For a member who begins participating on or after September 1, 2008, who is
22 employed in a hazardous position, as provided in KRS 61.592, the creditable
23 compensation of the member during the three (3) complete fiscal years he was
24 paid at the highest average monthly rate divided by three (3). Each fiscal year
25 used to determine final compensation must contain twelve (12) months of
26 service credit;

27 (15) "Final rate of pay" means the actual rate upon which earnings of an employee were

1 calculated during the twelve (12) month period immediately preceding the
 2 member's effective retirement date, including employee contributions picked up
 3 after August 1, 1982, pursuant to KRS 61.560(4). The rate shall be certified to the
 4 system by the employer and the following equivalents shall be used to convert the
 5 rate to an annual rate: two thousand eighty (2,080) hours for eight (8) hour
 6 workdays, nineteen hundred fifty (1,950) hours for seven and one-half (7-1/2) hour
 7 workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve (12) months,
 8 one (1) year;

9 (16) "Retirement allowance" means the retirement payments to which a member is
 10 entitled;

11 (17) "Actuarial equivalent" means a benefit of equal value when computed upon the
 12 basis of the actuarial tables that are ~~from time to time~~ adopted by the board. ~~except~~
 13 In cases of disability retirement, the options authorized by KRS 61.635 shall
 14 be computed by adding ten (10) years to the age of the member, unless the member
 15 has chosen the Social Security adjustment option as provided for in KRS
 16 61.635(8), in which case the member's actual age shall be used. No disability
 17 retirement option shall be less than the same option computed under early
 18 retirement;

19 (18) "Normal retirement date" means the sixty-fifth birthday of a member, unless
 20 otherwise provided in KRS 61.510 to 61.705;

21 (19) "Fiscal year" of the system means the twelve (12) months from July 1 through the
 22 following June 30, which shall also be the plan year. The "fiscal year" shall be the
 23 limitation year used to determine contribution and benefit limits as established by
 24 26 U.S.C. sec. 415;

25 (20) "Officers and employees of the General Assembly" means the occupants of those
 26 positions enumerated in KRS 6.150. The term shall also apply to assistants who
 27 were employed by the General Assembly for at least one (1) regular legislative

1 session prior to July 13, 2004, who elect to participate in the retirement system, and
 2 who serve for at least six (6) regular legislative sessions. Assistants hired after July
 3 13, 2004, shall be designated as interim employees;

4 (21) "Regular full-time positions," as used in subsection (5) of this section, shall mean
 5 all positions that average one hundred (100) or more hours per month determined by
 6 using the number of months actually worked within a calendar or fiscal year,
 7 including all positions except:

8 (a) Seasonal positions, which although temporary in duration, are positions which
 9 coincide in duration with a particular season or seasons of the year and which
 10 may recur regularly from year to year, the period of time shall not exceed nine
 11 (9) months;

12 (b) Emergency positions which are positions which do not exceed thirty (30)
 13 working days and are nonrenewable;

14 (c) Temporary positions which are positions of employment with a participating
 15 department for a period of time not to exceed nine (9) months;

16 (d) Part-time positions which are positions which may be permanent in duration,
 17 but which require less than a calendar or fiscal year average of one hundred
 18 (100) hours of work per month, determined by using the number of months
 19 actually worked within a calendar or fiscal year, in the performance of duty;
 20 and

21 (e) Interim positions which are positions established for a one-time or recurring
 22 need not to exceed nine (9) months;

23 (22) "Delayed contribution payment" means an amount paid by an employee for
 24 purchase of current service. The amount shall be determined using the same formula
 25 in KRS 61.5525, and the payment shall not be picked up by the employer. A
 26 delayed contribution payment shall be deposited to the member's contribution
 27 account and considered as accumulated contributions of the individual member. In

- 1 determining payments under this subsection, the formula found in this subsection
2 shall prevail over the one found in KRS 212.434;
- 3 (23) "Parted employer" means a department, portion of a department, board, or agency,
4 such as Outwood Hospital and School, which previously participated in the system,
5 but due to lease or other contractual arrangement is now operated by a publicly held
6 corporation or other similar organization, and therefore is no longer participating in
7 the system;
- 8 (24) "Retired member" means any former member receiving a retirement allowance or
9 any former member who has filed the necessary documents for retirement benefits
10 and is no longer contributing to the retirement system;
- 11 (25) "Current rate of pay" means the member's actual hourly, daily, weekly, biweekly,
12 monthly, or yearly rate of pay converted to an annual rate as defined in final rate of
13 pay. The rate shall be certified by the employer;
- 14 (26) "Beneficiary" means the person or persons or estate or trust or trustee designated by
15 the member in accordance with KRS 61.542 or 61.705 to receive any available
16 benefits in the event of the member's death. As used in KRS 61.702, "beneficiary"
17 does not mean an estate, trust, or trustee;
- 18 (27) "Recipient" means the retired member or the person or persons designated as
19 beneficiary by the member and drawing a retirement allowance as a result of the
20 member's death or a dependent child drawing a retirement allowance. An alternate
21 payee of a qualified domestic relations order shall be considered a recipient only for
22 purposes of KRS 61.691;
- 23 (28) "Level-percentage-of-payroll amortization method" means a method of determining
24 the annual amortization payment on the unfunded actuarial accrued~~past service~~
25 liability as expressed as a percentage of payroll over a set period of years. Under
26 this method, the percentage of payroll shall be projected to remain constant for all
27 years remaining in the set period and the unfunded actuarially accrued~~past~~

1 service} liability shall be projected to be fully amortized at the conclusion of the set
2 period;

3 (29) "Increment" means twelve (12) months of service credit which are purchased. The
4 twelve (12) months need not be consecutive. The final increment may be less than
5 twelve (12) months;

6 (30) "Person" means a natural person;

7 (31) "Retirement office" means the Kentucky Retirement Systems office building in
8 Frankfort;

9 (32) "Last day of paid employment" means the last date employer and employee
10 contributions are required to be reported in accordance with KRS 16.543, 61.543, or
11 78.615 to the retirement office in order for the employee to receive current service
12 credit for the month. Last day of paid employment does not mean a date the
13 employee receives payment for accrued leave, whether by lump sum or otherwise, if
14 that date occurs twenty-four (24) or more months after previous contributions;

15 (33) "Objective medical evidence" means reports of examinations or treatments; medical
16 signs which are anatomical, physiological, or psychological abnormalities that can
17 be observed; psychiatric signs which are medically demonstrable phenomena
18 indicating specific abnormalities of behavior, affect, thought, memory, orientation,
19 or contact with reality; or laboratory findings which are anatomical, physiological,
20 or psychological phenomena that can be shown by medically acceptable laboratory
21 diagnostic techniques, including but not limited to chemical tests,
22 electrocardiograms, electroencephalograms, X-rays, and psychological tests;

23 (34) "Participating" means an employee is currently earning service credit in the system
24 as provided in KRS 61.543;{~~and~~}

25 (35) "Month" means a calendar month; and

26 **(36) "Membership date" means the date upon which the member began participating**
27 **in the system as provided in KRS 61.543.**

1 ➔Section 8. KRS 61.540 is amended to read as follows:

- 2 (1) Under administrative regulations promulgated by the board, each member and each
3 employer shall have on file at the retirement office, in the form the board prescribes,
4 a statement of the facts pertaining to the member and other information the system
5 requires. Until the statement is filed, no member~~[or his beneficiary]~~ shall be
6 eligible to receive any benefits under KRS 61.510 to 61.705 and 78.510 to 78.852.
- 7 (2) The system shall prepare and make available upon request to all members a
8 summary plan description, written in a manner that can be understood by the
9 average member or beneficiary, and sufficiently accurate and comprehensive to
10 reasonably apprise them of their rights and obligations under the provisions of KRS
11 16.505 to 16.652, 61.510 to 61.705 and 78.510 to 78.852.
- 12 (3) The summary plan description shall include:
 - 13 (a) The name of the retirement system, the name and address of the executive
14 director, and the name, address and title of each member of the board of
15 trustees;
 - 16 (b) The name and address of the person designated for the service of legal
17 process;
 - 18 (c) The system's requirements for participation and benefits;
 - 19 (d) A description of retirement formulas for normal, early and disability
20 retirement, and survivor benefits;
 - 21 (e) A description of the requirements for vesting of pension benefits;
 - 22 (f) A reasonable list of circumstances which would result in disqualification,
23 ineligibility, or denial or loss of benefits;
 - 24 (g) The sources of financing retirement benefits, and statutory requirements for
25 funding;
 - 26 (h) A statement after each actuarial valuation as to whether funding requirements
27 are being met; and

1 (i) The procedures to be followed in presenting claims for benefits under the
 2 plan, and the remedies available under the plan for the redress of claims which
 3 are denied in whole or in part.

4 (4) The system may publish the summary plan description in the form of a
 5 comprehensive pamphlet or booklet, or in the form of periodic newsletters which
 6 shall incorporate all the information required in the summary plan description
 7 within a period of two (2) years. Any changes in statutory requirements or
 8 administrative practices which alter the provisions of the plan as described in the
 9 summary plan description shall be summarized as required in subsection (2) of this
 10 section and shall be made available upon request to members in the form of a
 11 supplement to a comprehensive booklet, or reported in the periodic newsletter.

12 (5) The system shall make available upon request to retirees and beneficiaries the
 13 summary plan description.

14 ➔ Section 9. KRS 61.541 is amended to read as follows:

15 ~~[(1)]~~ The creditable compensation of fee officers who receive salary, fees, maintenance,
 16 or other perquisites as a result of their official duties is the gross amount received
 17 decreased by the cost of salary paid deputies and clerks and the cost of office supplies and
 18 other official expenses.

19 ~~[(2)]~~ Each officer shall estimate the amount of creditable compensation he expects to
 20 receive during a calendar year and shall report and pay employee contributions
 21 monthly on one twelfth (1/12) of the estimated creditable compensation.

22 ~~(3)~~ On or before April 30 of each fiscal year, each officer shall have on file at the
 23 retirement office a report of his actual creditable compensation during the previous
 24 calendar year. This report shall be in the form of an affidavit and shall be used by
 25 the retirement system as a basis of adjusting the individual's account in the
 26 retirement system.

27 ~~(4)~~ The retirement office shall make a calculation of the amount of the additional

1 ~~contributions due or the excess contributions paid during the previous calendar year.~~

2 ~~If additional contributions are due, both the officer and employer shall pay such~~

3 ~~contributions on or before June 30 of the year in which the recalculation was made.~~

4 ~~If the recalculation shows that excess contributions have been paid, both the officer~~

5 ~~and the employer shall be reimbursed the amount of overpayment.~~

6 ~~(5) Refund of contributions or retirement allowances which might otherwise be due to~~

7 ~~the officer shall be withheld until the provisions of this section have been fully~~

8 ~~met.]~~

9 ➔ Section 10. KRS 61.552 is amended to read as follows:

10 (1) Any employee participating in one (1) of the state-administered retirement systems
 11 who has been refunded his accumulated contributions under the provisions of KRS
 12 16.645(21){(22)}, 61.625, or 78.545(15), thereby losing service credit, may regain
 13 the credit by paying to the system from which he received the refund or refunds the
 14 amount or amounts refunded with interest at a rate determined by the board of the
 15 respective retirement system. The payment, including interest as determined by the
 16 board, shall be deposited to the member's contribution account and considered as
 17 accumulated contributions of the individual member. The payments shall not be
 18 picked up, as described in KRS 61.560(4), by the employer.

19 (2) Any employee participating in one (1) of the retirement systems administered by
 20 Kentucky Retirement Systems, who has at least forty-eight (48) months of service if
 21 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five
 22 (65) in the systems administered by the Kentucky Retirement Systems, and who did
 23 not elect membership in the County Employees Retirement System, as provided in
 24 KRS 78.540(2), may obtain credit in the County Employees Retirement System for
 25 prior service and for current service by paying to the County Employees Retirement
 26 System a delayed contribution payment for the service he would have received had
 27 he elected membership. The delayed contribution payment shall not be picked up, as

1 described in KRS 61.560(4), by the employer. Payment may be by lump sum or the
2 employee may pay by increments.

3 (3) Any employee participating in one (1) of the retirement systems administered by
4 Kentucky Retirement Systems, who has at least forty-eight (48) months of service if
5 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five
6 (65) in the systems administered by the Kentucky Retirement Systems, and who did
7 not elect membership in the Kentucky Employees Retirement System, as provided
8 in KRS 61.525(2), may obtain credit in the Kentucky Employees Retirement System
9 for prior service and for current service by paying to the system a delayed
10 contribution payment for the service he would have received had he elected
11 membership. The delayed contribution payment shall not be picked up, as described
12 in KRS 61.560(4), by the employer. Payment may be by lump sum or the employee
13 may pay by increments.

14 (4) An employee participating in one (1) of the retirement systems administered by
15 Kentucky Retirement Systems, who has at least forty-eight (48) months of service if
16 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five
17 (65) in the systems administered by the Kentucky Retirement Systems, may obtain
18 credit in the Kentucky Employees Retirement System for current service between
19 July 1, 1956, and the effective date of participation of his department by paying to
20 the system a delayed contribution payment for the service he would have received
21 had his department participated on July 1, 1956. The delayed contribution payment
22 shall not be picked up, as described in KRS 61.560(4), by the employer. Payment
23 may be by lump sum or the employee may pay by increments.

24 (5) (a) An employee participating in one (1) of the retirement systems administered
25 by Kentucky Retirement Systems, who has at least forty-eight (48) months of
26 service if age sixty-five (65) or at least sixty (60) months of service if under
27 age sixty-five (65) in the systems administered by the Kentucky Retirement

1 Systems, may obtain credit in the County Employees Retirement System for
 2 current service between July 1, 1958, and the effective date of participation of
 3 his county by paying to the County Employees Retirement System a delayed
 4 contribution payment for the service he would have received had his county
 5 participated on July 1, 1958. The delayed contribution payment shall not be
 6 picked up, as described in KRS 61.560(4), by the employer.

7 (b) An employee participating in one (1) of the retirement systems administered
 8 by Kentucky Retirement Systems, who has at least forty-eight (48) months of
 9 service if age sixty-five (65) or at least sixty (60) months of service if under
 10 age sixty-five (65) in the systems administered by Kentucky Retirement
 11 Systems may obtain credit for the period of his service with an area
 12 development district created pursuant to KRS 147A.050 or with a business
 13 development corporation created pursuant to KRS 155.001 to 155.230 if that
 14 service was not covered by a state-administered retirement system. The
 15 member shall pay to the retirement system in which he participates a delayed
 16 contribution payment, as determined by the board's actuary. The employee
 17 may obtain credit for employment with a business development corporation
 18 only if the Kentucky Retirement Systems receives a favorable private letter
 19 ruling from the United States Internal Revenue Service or a favorable opinion
 20 letter from the United States Department of Labor. Payment may be by lump
 21 sum or the employee may pay by increments.

22 (6) After August 1, 2000, service credit obtained under the subsections of this section
 23 which do not require the employee to have a minimum number of years of service
 24 credit to be eligible to make a purchase shall be disallowed and the recontribution of
 25 refund, including interest as determined by the board or other payment, if any, shall
 26 be paid to the member if the member does not obtain for service performed six (6)
 27 months' additional current service credit in one (1) of the state-administered

1 retirement systems. The service requirement shall be waived if the member dies or
2 becomes disabled as provided for by KRS 16.582 or 61.600.

3 (7) The members shall not receive benefit of service for the same period of time in
4 another public defined benefit retirement fund.

5 (8) Any employee participating in one (1) of the retirement systems administered by
6 Kentucky Retirement Systems who has at least forty-eight (48) months' service if
7 age sixty-five (65) or at least sixty (60) months' service if under age sixty-five (65)
8 in the retirement systems administered by the Kentucky Retirement Systems, who
9 formerly worked for a state university in a position which would have qualified as a
10 regular full-time position had the university been a participating department, and
11 who did not participate in a defined benefit retirement program at the university
12 may obtain credit in the employee's account in the County Employees Retirement
13 System, the Kentucky Employees Retirement System, or the State Police
14 Retirement System for prior and current service by paying either retirement system
15 a delayed contribution payment for the service he would have received had his
16 period of university employment been covered by the County Employees, Kentucky
17 Employees Retirement System, or State Police Retirement System. The delayed
18 contribution payment shall not be picked up, as described in KRS 61.560(4), by the
19 employer. Payment may be by lump sum, or the employee may pay by increments.

20 (9) (a) Effective August 1, 1980, any county participating in the County Employees
21 Retirement System may purchase current service, between July 1, 1958, and
22 participation date of the county, for present employees of the county who have
23 obtained coverage under KRS 78.540(2);

24 (b) Effective July 1, 1973, any department participating in the Kentucky
25 Employees Retirement System may purchase current service between July 1,
26 1956, and participation date of the department, for present employees of the
27 department who were employees on the participation date of the department

1 and elected coverage under KRS 61.525(2);

2 (c) Cost of the service credit purchased under this subsection shall be determined
 3 by computing the discounted value of the additional service credit based on an
 4 actuarial formula recommended by the board's consulting actuary and
 5 approved by the board. A department shall make payment for the service
 6 credit within the same fiscal year in which the option is elected. The county
 7 shall establish a payment schedule subject to approval by the board for
 8 payment of the service credit. The maximum period allowed in a payment
 9 schedule shall be ten (10) years with interest at the rate actuarially assumed by
 10 the board; however, a shorter period is desirable and the board may approve
 11 any schedule provided it is not longer than a ten (10) year period;

12 (d) If a county or department elects the provisions of this subsection, any present
 13 employee who would be eligible to receive service credit under the provisions
 14 of this subsection and has purchased service credit under subsection (4) or (5)
 15 of this section shall have his payment for the service credit refunded with
 16 interest at the rate paid under KRS 61.575 or 78.640;

17 (e) Any payments made by a county or department under this subsection shall be
 18 deposited to the retirement allowance account of the proper retirement system
 19 and these funds shall not be considered accumulated contributions of the
 20 individual members.

21 (10) Interest paid by a member of the Kentucky Employees Retirement System, County
 22 Employees Retirement System, or State Police Retirement System under this
 23 section or other similar statutes under KRS 16.505 to 16.652, 61.510 to 61.705, or
 24 78.510 to 78.852 prior to June 19, 1976, shall be credited to the individual
 25 member's contribution account in the appropriate retirement system and considered
 26 as accumulated contributions of the member.

27 (11) Employees who served as assistants to officers and employees of the General

1 Assembly who have at least forty-eight (48) months of service if age sixty-five (65)
2 or at least sixty (60) months of service if under age sixty-five (65) in the systems
3 administered by Kentucky Retirement Systems and who were unable to acquire
4 service under KRS 61.510(20) may purchase credit for the service performed after
5 January 1, 1960. Service credit under this section shall be obtained by the payment
6 of a delayed contribution which shall not be picked up by the employer as described
7 in KRS 61.560(4).

8 (12) (a) Effective August 1, 1988, any employee participating in one (1) of the
9 retirement systems administered by Kentucky Retirement Systems who has at
10 least forty-eight (48) months of service if age sixty-five (65) or at least sixty
11 (60) months of service if under age sixty-five (65) in the systems administered
12 by Kentucky Retirement Systems may purchase service credit for interim,
13 seasonal, emergency, or temporary employment or part-time employment
14 averaging one hundred (100) or more hours of work per month on a calendar
15 or fiscal year basis. If the average number of hours of work is less than one
16 hundred (100) per month, the member shall be allowed credit only for those
17 months he receives creditable compensation for one hundred hours of work.
18 The cost will be determined as a delayed contribution payment for the period
19 of time involved, which shall not be picked up by the employer as described in
20 KRS 61.560(4).

21 (b) Any noncertified employee of a school board who has at least forty-eight (48)
22 months of service if age sixty-five (65) or at least sixty (60) months of service
23 if under age sixty-five (65) in the systems administered by Kentucky
24 Retirement Systems may purchase service credit for part-time employment
25 prior to the 1990-91 school year which averaged eighty (80) or more hours of
26 work per month on a calendar or fiscal year basis by paying to the County
27 Employees Retirement System a delayed contribution payment. The delayed

1 contribution payment shall not be picked up, as described in KRS 78.610(4),
2 by the employer. Payment may be by lump sum or the employee may pay by
3 increments. If the average number of hours of work is less than eighty (80) per
4 month, the noncertified employee of a school board shall be allowed credit
5 only for those months he receives creditable compensation for eighty (80)
6 hours of work. The cost will be determined as a delayed contribution payment,
7 which shall not be picked up by the employer as described in KRS 78.610(4).

8 (13) A retired member, who is contributing to one (1) of the state-administered
9 retirement programs under the provisions of KRS 61.637(1) to (4) and purchases
10 service credit under this section in the system or systems from which he is retired,
11 shall have his retirement allowance recomputed:

12 (a) Upon termination from employment, if the member is contributing to the same
13 system or systems from which he was retired; or

14 (b) Upon completion of six (6) months' service credit as required under
15 subsection (6) of this section, if the member is contributing to a system other
16 than the system or systems from which he is retired.

17 (14) Any employee participating in one (1) of the systems administered by Kentucky
18 Retirement Systems who has at least forty-eight (48) months of service if age sixty-
19 five (65) or at least sixty (60) months of service if under age sixty-five (65) in the
20 systems administered by Kentucky Retirement Systems may obtain credit for prior
21 or current service for any period of approved educational leave, or for agency-
22 approved leave to work for a work-related labor organization if the agency
23 subsequently participated in the County Employees Retirement System, by paying
24 to the respective retirement system a delayed contribution payment. The employee
25 may also obtain credit for agency-approved leave to work for a work-related labor
26 organization if the agency subsequently participated in the County Employees
27 Retirement System, but only if the Kentucky Retirement Systems receives a

1 favorable private letter ruling from the United States Internal Revenue Service or a
 2 favorable opinion letter from the United States Department of Labor. The delayed
 3 contribution payment shall not be picked up, as described in KRS 61.560(4), by the
 4 employer, and shall be deposited to the individual member's account.

5 (15) Any employee participating in one (1) of the retirement systems administered by
 6 Kentucky Retirement Systems who has at least forty-eight (48) months of service if
 7 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five
 8 (65) in the systems administered by Kentucky Retirement Systems may obtain
 9 credit for prior or current service for any period of authorized maternity leave,
 10 unpaid leave authorized under the Federal Family and Medical Leave Act, or for
 11 any period of authorized sick leave without pay, by paying to the respective
 12 retirement system a delayed contribution payment. The delayed contribution
 13 payment shall not be picked up, as described in KRS 61.560(4), by the employer,
 14 and shall be deposited to the individual member's account.

15 (16) Any employee participating in one (1) of the retirement systems administered by
 16 Kentucky Retirement Systems may purchase service credit under any of the
 17 provisions of KRS 16.505 to 16.652, 61.510 to 61.705, or 78.510 to 78.852 by
 18 making installment payments in lieu of a lump-sum payment.

19 (a) The cost of the service shall be computed in the same manner as for a lump-
 20 sum payment which shall be the principal; and interest, at the actuarial rate in
 21 effect at the time the member elects to make the purchase compounded
 22 annually, shall be added for the period that the installments are to be made.
 23 Multiple service purchases may be combined under a single installment
 24 purchase; however, no employee may make more than one (1) installment
 25 purchase at the same time.~~Once multiple service purchases have been~~
 26 ~~combined in an installment purchase, the employee may not separate the~~
 27 ~~purchases or pay a portion of one (1) of the purchases.]~~ The employee may

1 elect to stop the installment payments by notifying the retirement system; may
2 have the installment purchase recalculated to add one (1) or more additional
3 service purchases; or may pay by lump sum the remaining principal or a
4 portion of the remaining principal.

5 (b) One (1) year of installment payments shall be made for each one thousand
6 dollars (\$1,000) or any part thereof of the total cost, except that the total
7 period allowed for installments shall not be less than one (1) year and shall not
8 exceed five (5) years.

9 (c) The employee shall pay the installments by payroll deduction. Upon
10 notification by the retirement system, the employer shall report the installment
11 payments either monthly or semimonthly continuously over each twelve (12)
12 month period at the same time as, but separate from, regular employee
13 contributions on the forms or by the computer format specified by the board.
14 The payments made under this subsection shall be considered accumulated
15 contributions of the member and shall not be picked up by the employer
16 pursuant to KRS 61.560(4) and no employer contributions shall be paid on the
17 installments.

18 (d) The retirement system shall determine how much of the total cost represents
19 payment for one (1) month of the service to be purchased and shall credit one
20 (1) month of service to the member's account each time this amount has been
21 paid. The first service credited shall represent the first calendar month of the
22 service to be purchased and each succeeding month of service credit shall
23 represent the succeeding months of that service.

24 (e) If the employee elects to stop the installment payments, dies, retires, or does
25 not continue employment in a position required to participate in the retirement
26 system, the member, or in the case of death, the beneficiary, shall have sixty
27 (60) days to pay the remaining principal or a portion of the remaining

1 principal of the purchase by lump sum, except that payment by the member
 2 shall be made prior to the effective retirement date. If the member or
 3 beneficiary does not pay the remaining cost, the retirement system shall refund
 4 to the member or the beneficiary the payment, payments, or portion of a
 5 payment that does not represent a full month of service purchased.

6 (f) If the employer does not report installment payments on an employee for sixty
 7 (60) days, except in the case of employees on military leave or sick leave
 8 without pay, the installment purchase shall cease and the retirement system
 9 shall refund to the employee the payment, payments, or portion of a payment
 10 that does not represent a full month of service purchased. Installment
 11 payments of employees on military leave or sick leave without pay shall be
 12 suspended during the period of leave and shall resume without recalculation
 13 upon the employee's return from leave.

14 (g) If payments have ceased under paragraph (e) or (f) of this subsection and the
 15 member later becomes a participating employee in one (1) of the three (3)
 16 systems administered by Kentucky Retirement Systems, the employee may
 17 complete the adjusted original installment purchase by lump sum or
 18 installment payments. If the employee elects to renew the installment
 19 purchase, the cost of the remaining service shall be recalculated in accordance
 20 with paragraph (a) of this subsection. ~~If the original installment purchase was~~
 21 ~~for multiple service purchases, the employee may not separate those purchases~~
 22 ~~under a new installment purchase.]~~

23 (17) Any employee participating in one (1) of the retirement systems administered by
 24 Kentucky Retirement Systems may purchase service credit under any of the
 25 provisions of KRS 16.505 to 16.652, 61.510 to 61.705, or 78.510 to 78.852 by
 26 transferring funds through a direct trustee-to-trustee transfer as permitted under the
 27 applicable sections of the Internal Revenue Code and any regulations or rulings

1 issued thereunder, or through a direct rollover as contemplated by and permitted
2 under 26 U.S.C. sec. 401(a)(31) and any regulations or rulings issued thereunder.
3 Service credit may also be purchased by a rollover of funds pursuant to and
4 permitted under the rules specified in 26 U.S.C. sec. 402(c) and 26 U.S.C. sec.
5 408(d)(3). The Kentucky Retirement Systems shall accept the transfer or rollover to
6 the extent permitted under the rules specified in the applicable provisions of the
7 Internal Revenue Code and any regulations and rulings issued thereunder. The
8 amount shall be credited to the individual member's contribution account in the
9 appropriate retirement system and shall be considered accumulated contributions of
10 the member.

11 (18) After August 1, 1998, any employee participating in one (1) of the retirement
12 systems administered by Kentucky Retirement Systems who is age sixty-five (65) or
13 older and has forty-eight (48) months of service credit or, if younger, who has sixty
14 (60) months of service credit in systems administered by Kentucky Retirement
15 Systems may purchase credit in the system in which the employee has the service
16 credit for up to ten (10) years service in a regular full-time position that was
17 credited to a state or local government-administered public defined benefit plan in
18 another state other than a defined benefit plan for teachers. The employee shall pay
19 a delayed contribution payment. Payment may be by lump sum, or the employee
20 may pay by increments. The employee may transfer funds directly from the other
21 state's plan if eligible to the extent permitted under subsection (17) of this section
22 and to the extent permitted by the other state's laws and shall provide proof that he
23 is not eligible for a retirement benefit for the period of service from the other state's
24 plan.

25 (19) After August 1, 1998, any employee participating in one (1) of the retirement
26 systems administered by Kentucky Retirement Systems, who has sixty (60) or more
27 months of service in the State Police Retirement System or in a hazardous position

1 in the Kentucky Employees Retirement System or the County Employees
2 Retirement System, may purchase credit in the system in which the employee has
3 the sixty (60) months of service credit for up to ten (10) years of service in a regular
4 full-time position that was credited to a defined benefit retirement plan administered
5 by a state or local government in another state, if the service could be certified as
6 hazardous pursuant to KRS 61.592. The employee shall pay a delayed contribution
7 payment. Payment may be by lump sum or by increments. The employee may
8 transfer funds directly from the other unit of government's plan if eligible to the
9 extent permitted under subsection (17) of this section and to the extent permitted by
10 the other state's laws, and the employee shall provide proof that he is not eligible for
11 a retirement benefit for the period of service from the other unit of government's
12 plan.

13 (20) Any employee participating in one (1) of the retirement systems administered by
14 Kentucky Retirement Systems who has at least forty-eight (48) months of service if
15 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five
16 (65) in the systems administered by Kentucky Retirement Systems and who has
17 completed service as a volunteer in the Kentucky Peace Corps, created by KRS
18 154.01-720, may purchase service credit for the time served in the corps by making
19 delayed contribution payments.

20 (21) An employee participating in any retirement system administered by Kentucky
21 Retirement Systems who has at least forty-eight (48) months of service if age sixty-
22 five (65), or at least sixty (60) months of service if under age sixty-five (65) in the
23 systems administered by Kentucky Retirement Systems, and who was formerly
24 employed in a regional community mental health and mental retardation services
25 program, organized and operated under the provisions of KRS 210.370 to 210.480,
26 which does not participate in a state-administered retirement system may obtain
27 credit for the period of his service in the regional community mental health and

1 mental retardation program, by paying to the state retirement system in which he
2 participates a delayed contribution payment. Payment to one (1) of the retirement
3 systems administered by the Kentucky Retirement Systems may be made by lump
4 sum or in increments.

5 (22) An employee participating in one (1) of the retirement systems administered by
6 Kentucky Retirement Systems who has at least forty-eight (48) months of service if
7 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five
8 (65) in the systems administered by the Kentucky Retirement Systems, who was
9 employed by a vocational technical school in a noncertified part-time position
10 averaging eighty (80) or more hours per month, determined by using the number of
11 months actually worked within a calendar or fiscal year, may purchase service credit
12 in the Kentucky Employees Retirement System. The cost of the service shall be a
13 delayed contribution payment, which shall not be picked up by the employer as
14 described in KRS 61.560(4).

15 (23) (a) Any person who is entitled to service credit for employment which was not
16 reported in accordance with KRS 16.543, 61.543, or 78.615 may obtain credit
17 for the service by paying the employee contributions due within six (6)
18 months of notification by the system. No interest shall be added to the
19 contributions. The service credit shall not be credited to the member's account
20 until the employer contributions are received. If a retired member makes the
21 payment within six (6) months, the retired member's retirement allowance
22 shall be adjusted to reflect the added service after the employer contributions
23 are received by the retirement system.

24 (b) Any employee participating in one (1) of the state-administered retirement
25 systems who is entitled to service credit under paragraph (a) of this subsection
26 and who has not repaid the employee contributions due within six (6) months
27 of notification by the system may regain the credit after the six (6) months by

1 paying to the system the employee contributions plus interest at the actuarially
2 assumed rate from the date of initial notification under paragraph (a) of this
3 subsection. Service credit shall not be credited to the member's account until
4 the employer contributions are received by the retirement system. The
5 payments shall not be picked up, as described in KRS 61.560(4), by the
6 employer.

7 (c) Service purchased under this subsection by employees who begin participating
8 on or after September 1, 2008, shall be considered service credited under KRS
9 16.543(1), 61.543(1), or 78.615(1) for purposes of determining eligibility for
10 retirement benefits under KRS 16.505 to 16.652, 61.510 to 61.705, and
11 78.510 to 78.852.

12 (24) Any employee participating in one (1) of the retirement systems administered by
13 Kentucky Retirement Systems who has at least forty-eight (48) months of service if
14 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five
15 (65) in the systems administered by the Kentucky Retirement Systems may
16 purchase service credit for employment with a public agency that would have been
17 eligible to participate under KRS 61.520 but which did not participate in the
18 Kentucky Employees Retirement System or a political subdivision that would have
19 been eligible to participate under KRS 78.530 but which did not participate in the
20 County Employees Retirement System if the former public agency or political
21 subdivision has merged with or been taken over by a participating department or
22 county. The cost of the service shall be determined as a delayed contribution
23 payment for the respective retirement system. Payment may be made by lump sum
24 or in increments. The payment shall not be picked up, as described in KRS
25 61.560(4) or 78.610(4), by the employer.

26 (25) Any employee participating in one (1) of the retirement systems administered by the
27 Kentucky Retirement Systems prior to July 15, 2002, who has accrued at least forty-

1 eight (48) months of service if age sixty-five (65) or at least sixty (60) months of
2 service if under age sixty-five (65) in the systems administered by the Kentucky
3 Retirement Systems and who has total service in all state-administered retirement
4 systems of at least one hundred eighty (180) months of service credit may purchase
5 a combined maximum total of five (5) years of retirement service credit which is
6 not otherwise purchasable under any of the provisions of KRS 16.505 to 16.652,
7 61.510 to 61.705, and 78.510 to 78.852. The purchase price for the retirement
8 service credit shall be calculated and paid for as a delayed contribution payment.
9 The payment shall not be picked up, as described in KRS 16.545(4), 61.560(4), or
10 78.610(4), by the employer, and the employee's payment shall be paid into the
11 individual member's contribution account in the appropriate retirement system and
12 shall be considered accumulated contributions of the member. Payment by the
13 member may be by lump sum or by increments. The service purchased under this
14 subsection shall not be used in determining a retirement allowance until the member
15 has accrued at least two hundred forty (240) months of service, excluding service
16 purchased under this subsection. If the member does not accrue at least two hundred
17 forty (240) months of service, excluding service purchased under this subsection,
18 upon retirement, death, or written request following termination, the payment, plus
19 interest as provided in KRS 61.575, shall be refunded.

20 (26) An employee participating in one (1) of the retirement systems administered by
21 Kentucky Retirement Systems, who has at least forty-eight (48) months of service if
22 age sixty-five (65), or at least sixty (60) months of service if under age sixty-five
23 (65), in the systems administered by Kentucky Retirement Systems, may obtain
24 credit in the County Employees Retirement System for the period of that employee's
25 service with a community action agency created under KRS 273.405 to 273.453 if
26 that service was not covered by a state-administered retirement system. The member
27 shall pay to the retirement system a delayed contribution payment. Payment may be

1 made by lump sum or in increments. The payment shall not be picked up, as
2 described in KRS 61.560(4) or 78.610(4), by the employer.

3 (27) ~~{Any employee participating in one (1) of the retirement systems administered by~~
4 ~~Kentucky Retirement Systems who has at least forty eight (48) months of service if~~
5 ~~age sixty five (65) or at least sixty (60) months of service if under age sixty five~~
6 ~~(65) in the retirement systems administered by the Kentucky Retirement Systems~~
7 ~~may obtain current service credit for up to forty eight (48) months for his or her~~
8 ~~period of service as a Domestic Relations Commissioner by paying to the retirement~~
9 ~~system a delayed contribution payment no later than December 31, 2002. Payment~~
10 ~~may be made by lump sum or under an installment agreement. The payment shall~~
11 ~~not be picked up, as described in KRS 61.560(4), by the employer, and shall be~~
12 ~~deposited to the individual member's account.~~

13 ~~(28)}~~ The board of trustees is authorized to establish a program, subject to a favorable
14 ruling from the Internal Revenue Service, to provide for the purchase of service
15 credit under any of the provisions of KRS 16.505 to 16.552, 61.510 to 61.705, and
16 78.510 to 78.852, pursuant to the employer pick-up provisions in 26 U.S.C. sec.
17 414(h)(2).

18 ~~(28)~~~~(29)}~~ An employee may obtain credit for regular full-time service with an agency
19 prior to August 1, 1998, for which the employee did not receive credit due to KRS
20 61.637(1), by paying a delayed contribution. The payment shall not be picked up by
21 the employer, except as provided in subsection ~~(27)~~~~(28)}~~ of this section, and shall
22 be credited to the employee's second retirement account. Service credit obtained
23 under this subsection shall not be used in determining benefits under KRS 61.702.
24 The employee may purchase credit for service prior to August 1, 1998, if:

25 (a) The employee retired from one (1) of the retirement systems administered by
26 the Kentucky Retirement Systems and was reemployed prior to August 1,
27 1998, earning less than the maximum permissible earnings under the Federal

1 Social Security Act;

2 (b) The employee elected to participate in a second retirement account effective
3 August 1, 1998, in accordance with KRS 61.637(7); and

4 (c) The employee has at least forty-eight (48) months of service if age sixty-five
5 (65), or at least sixty (60) months of service if under age sixty-five (65), in a
6 second account in the systems administered by Kentucky Retirement Systems.

7 ~~(29)~~~~(30)~~ An employee participating in one (1) of the retirement systems administered
8 by the Kentucky Retirement Systems, who has at least forty-eight (48) months of
9 service if age sixty-five (65) or at least sixty (60) months of service if under age
10 sixty-five (65) in the systems administered by the Kentucky Retirement Systems,
11 may obtain credit for the service in a regular full-time position otherwise creditable
12 under the Kentucky Employees Retirement System, the County Employees
13 Retirement System, or the State Police Retirement System for service in the United
14 States government, other than service in the Armed Forces, for which service is not
15 otherwise given, by paying to the system a delayed contribution payment. Payment
16 may be made by lump sum or in increments. No payment made pursuant to this
17 section shall be picked up by the employer, as described in KRS 61.560(4).

18 ~~(30)~~~~(31)~~ An employee participating in a hazardous position in one (1) of the retirement
19 systems administered by the Kentucky Retirement Systems, who has at least forty-
20 eight (48) months of service if age sixty-five (65) or at least sixty (60) months of
21 service if under age sixty-five (65) in the systems administered by the Kentucky
22 Retirement Systems, may obtain credit for service in a regular full-time position in
23 an urban-county government that would qualify for hazardous duty coverage under
24 KRS 61.592 by paying to the system a delayed contribution payment. Payment may
25 be made by lump sum or in increments. No payment made pursuant to this section
26 shall be picked up by the employer, as described in KRS 61.560(4).

27 ➔Section 11. KRS 61.565 is amended to read as follows:

- 1 (1) Each employer participating in the State Police Retirement System as provided for
 2 in KRS 16.505 to 16.652, each employer participating in the County Employees
 3 Retirement System as provided for in KRS 78.510 to 78.852, and each employer
 4 participating in the Kentucky Employees Retirement System as provided for in KRS
 5 61.510 to 61.705 shall contribute annually to the respective retirement system an
 6 amount equal to the percent, as computed under subsection (2) of this section, of the
 7 creditable compensation of its employees to be known as the "normal
 8 contributions," and an additional amount to be known as the "actuarially accrued
 9 liability~~[past service]~~ contribution" which shall be computed by amortizing the total
 10 unfunded actuarially accrued~~[past service]~~ liability over a period of thirty (30)
 11 years using the level-percentage-of-payroll amortization method. This method shall
 12 be used beginning with the 2007~~[1990]~~ actuarial valuation. The initial thirty (30)
 13 year amortization period shall begin with the 2007~~[1990]~~ valuation. Any significant
 14 increase in the actuarially accrued~~[past service]~~ liability due to benefit
 15 improvements after the 2007~~[1990]~~ valuation shall be amortized using the level-
 16 percentage-of-payroll amortization method over a separate thirty (30) year period
 17 commencing in the year of the actuarial valuation in which the benefit
 18 improvements are first reflected.
- 19 (2) The normal contribution rate shall be determined by the entry age normal cost
 20 funding method. The actuarially accrued~~[past service]~~ liability shall be determined
 21 by actuarial method consistent with the methods prescribed for determining the
 22 normal contribution rate. Normal contributions and the actuarially accrued~~[past~~
 23 ~~service]~~ liability contribution shall be determined on actuarial bases adopted by the
 24 board.
- 25 (3) Normal contribution and the actuarially accrued liability~~[past service]~~ contribution
 26 rates shall be determined by the board on the basis of the annual actuarial valuation
 27 last preceding the July 1 of a new biennium. The board may amend contribution

1 rates as of July 1 of the second year of a biennium, if it is determined on the basis of
2 a subsequent actuarial valuation that amended contribution rates are necessary to
3 satisfy the requirements of subsections (1) and (2) of this section.

4 (4) The system shall advise each employer prior to the beginning of each biennium, or
5 prior to July 1 of the second year of a biennium, of any change in the employer
6 contribution rate. Based on the employer contribution rate, each employer shall
7 include in the budget sufficient funds to pay the employer contributions as
8 determined by the board under subsections (1) to (3) of this section.

9 (5) (a) It is the intent of the General Assembly to begin phasing into the full
10 actuarially required contribution rates for the Kentucky Employees Retirement
11 System and the State Police Retirement System.

12 (b) For the employer contribution rate for the Kentucky Employees Retirement
13 System pertaining to nonhazardous employees, it is the intent of the General
14 Assembly to work towards the goal of contributing the actuarially required
15 employer contribution as follows:

- 16 1. Forty-four percent (44%) of the actuarially required contribution for the
17 fiscal year beginning July 1, 2010;
- 18 2. Forty-eight percent (48%) of the actuarially required contribution for the
19 fiscal year beginning July 1, 2011;
- 20 3. Fifty-three percent (53%) of the actuarially required contribution for the
21 fiscal year beginning July 1, 2012;
- 22 4. Fifty-seven percent (57%) of the actuarially required contribution for the
23 fiscal year beginning July 1, 2013;
- 24 5. Sixty-one percent (61%) of the actuarially required contribution for the
25 fiscal year beginning July 1, 2014;
- 26 6. Sixty-five percent (65%) of the actuarially required contribution for the
27 fiscal year beginning July 1, 2015;

- 1 7. Sixty-nine percent (69%) of the actuarially required contribution for the
- 2 fiscal year beginning July 1, 2016;
- 3 8. Seventy-three percent (73%) of the actuarially required contribution for
- 4 the fiscal year beginning July 1, 2017;
- 5 9. Seventy-seven percent (77%) of the actuarially required contribution for
- 6 the fiscal year beginning July 1, 2018;
- 7 10. Eighty-one percent (81%) of the actuarially required contribution for the
- 8 fiscal year beginning July 1, 2019;
- 9 11. Eighty-five percent (85%) of the actuarially required contribution for the
- 10 fiscal year beginning July 1, 2020;
- 11 12. Eighty-nine percent (89%) of the actuarially required contribution for
- 12 the fiscal year beginning July 1, 2021;
- 13 13. Ninety-three percent (93%) of the actuarially required contribution for
- 14 the fiscal year beginning July 1, 2022;
- 15 14. Ninety-seven percent (97%) of the actuarially required contribution for
- 16 the fiscal year beginning July 1, 2023; and
- 17 15. One hundred percent (100%) of the actuarially required contribution for
- 18 the fiscal year beginning July 1, 2024.

19 (c) For the employer contribution rate for the Kentucky Employees Retirement
 20 System pertaining to hazardous employees, it is the intent of the General
 21 Assembly to work towards the goal of contributing the full actuarially
 22 required employer contribution as follows:

- 23 1. Seventy-six percent (76%) of the actuarially required contribution for
- 24 the fiscal year beginning July 1, 2010;
- 25 2. Seventy-nine percent (79%) of the actuarially required contribution for
- 26 the fiscal year beginning July 1, 2011;
- 27 3. Eighty-three percent (83%) of the actuarially required contribution for

- 1 the fiscal year beginning July 1, 2012;
- 2 4. Eighty-six percent (86%) of the actuarially required contribution for the
- 3 fiscal year beginning July 1, 2013;
- 4 5. Eighty-nine percent (89%) of the actuarially required contribution for
- 5 the fiscal year beginning July 1, 2014;
- 6 6. Ninety-two percent (92%) of the actuarially required contribution for the
- 7 fiscal year beginning July 1, 2015;
- 8 7. Ninety-five percent (95%) of the actuarially required contribution for the
- 9 fiscal year beginning July 1, 2016;
- 10 8. Ninety-eight percent (98%) of the actuarially required contribution for
- 11 the fiscal year beginning July 1, 2017; and
- 12 9. One hundred percent (100%) of the actuarially required contribution for
- 13 the fiscal year beginning July 1, 2018.
- 14 (d) For the employer contribution rate for the State Police Retirement System, it is
- 15 the intent of the General Assembly to work towards the goal of contributing
- 16 the full actuarially required employer contribution as follows:
- 17 1. Sixty percent (60%) of the actuarially required contribution for the fiscal
- 18 year beginning July 1, 2010;
- 19 2. Sixty-five percent (65%) of the actuarially required contribution for the
- 20 fiscal year beginning July 1, 2011;
- 21 3. Seventy percent (70%) of the actuarially required contribution for the
- 22 fiscal year beginning July 1, 2012;
- 23 4. Seventy-five percent (75%) of the actuarially required contribution for
- 24 the fiscal year beginning July 1, 2013;
- 25 5. Eighty percent (80%) of the actuarially required contribution for the
- 26 fiscal year beginning July 1, 2014;
- 27 6. Eighty-five percent (85%) of the actuarially required contribution for the

- 1 fiscal year beginning July 1, 2015;
- 2 7. Ninety percent (90%) of the actuarially required contribution for the
- 3 fiscal year beginning July 1, 2016;
- 4 8. Ninety-five percent (95%) of the actuarially required contribution for the
- 5 fiscal year beginning July 1, 2017;
- 6 9. Ninety-eight percent (98%) of the actuarially required contribution for
- 7 the fiscal year beginning July 1, 2018; and
- 8 10. One hundred percent (100%) of the actuarially required contribution for
- 9 the fiscal year beginning July 1, 2019.

10 ➔Section 12. KRS 61.570 is amended to read as follows:

11 All of the assets of the system shall be held and invested in the Kentucky employees
 12 retirement fund and credited, according to the purpose for which they are held, to one (1)
 13 of three (3)~~two (2)~~ accounts, namely, the members' contribution account,~~and~~ the
 14 retirement allowance account, and accounts established pursuant to 26 U.S.C. sec.
 15 401(h) within the funds established in KRS 16.510, 61.515, and 78.520, as prescribed
 16 by subsection (2)(b) of Section 22 of this Act.

17 ➔Section 13. KRS 61.575 is amended to read as follows:

- 18 (1) The members' contribution account shall be the account to which all members'
- 19 contributions, or contributions picked up by the employer after August 1, 1982, and
- 20 interest allowances as provided in KRS 61.510 to 61.692 shall be credited, except
 21 as provided by subsection (2)(b) of Section 22 of this Act. From this account shall
 22 be paid the accumulated contributions of a member required to be returned to him
 23 upon withdrawal, or paid in the event of his death before retirement. Prior to the
 24 member's retirement, death, or refund in accordance with KRS 61.625, no funds
 25 shall be made available from the member contribution account.
- 26 (2) Each member's contribution or contribution picked up by the employer shall be
- 27 credited to the individual account of the contributing member, except as provided

1 by subsection (2)(b) of Section 22 of this Act.

2 (3) (a) Each member on June 30 of each year shall have his individual account
3 credited with interest.

4 (b) For a member who begins participating before September 1, 2008, interest
5 shall be credited to his individual account at a rate determined by the board
6 but not less than two percent (2%) per annum on the accumulated
7 contributions of the member on June 30 of the preceding fiscal year.

8 (c) For a member who begins participating on or after September 1, 2008, interest
9 shall be credited to his individual account at a rate of two and one-half percent
10 (2.5%) per annum on the accumulated contributions of the member on June 30
11 of the preceding fiscal year.

12 (d) The amounts of interest credited to a member's account under this subsection
13 shall be transferred from the retirement allowance account.

14 (4) Upon the retirement of a member, his accumulated contributions shall be transferred
15 from the members' contribution account to the retirement allowance account.

16 ➔Section 14. KRS 61.590 is amended to read as follows:

17 (1) A member or beneficiary eligible to receive retirement benefits under any of the
18 provisions of KRS 61.510 to 61.705, 78.510 to 78.852, and 16.510 to 16.652 shall
19 have on file at the retirement office on the form prescribed by the board, notification
20 of retirement, giving his name, address, Social Security number, last day of
21 employment, and other information the system may require. The form entitled
22 "Notification of Retirement" shall not be filed more than six (6) months before the
23 member's effective retirement date.

24 (2) Within ten (10) days of the receipt of the~~[notification of retirement]~~ form entitled
25 "Notification of Retirement" submitted within two (2) months of the effective date
26 of retirement, the system shall cause to be prepared an estimate of the amounts the
27 member or beneficiary may expect to receive under the various plans available to

1 the member or beneficiary. This information shall be recorded on a form entitled
 2 "Estimated Retirement Allowance" and forwarded to the member or beneficiary. If
 3 the member submits a ~~notification of retirement~~ form entitled "Notification of
 4 Retirement" more than two (2) months prior to the effective retirement date, the
 5 system shall provide the form entitled "Estimated Retirement Allowance"
 6 ~~estimated retirement allowance~~ within forty-five (45) days of the member's
 7 effective retirement date.

8 (3) The member or beneficiary shall file at the retirement office the form entitled
 9 "Estimated Retirement Allowance" after he has checked the payment option~~plan~~
 10 of his choice, signed the document and had his signature witnessed. A member or
 11 beneficiary may not select a different payment option~~plan~~ after the first retirement
 12 allowance payment has been issued by the State Treasurer.

13 (4) A member or beneficiary choosing a monthly payment option~~plan~~ shall have on
 14 file at the retirement office his birth certificate or other acceptable evidence of date
 15 of birth. If a survivorship option~~plan~~ is chosen, proof of dates of birth of the
 16 beneficiary and member shall be on file at the retirement office.

17 (5) (a) The effective date of normal retirement shall be the first month following the
 18 month in which employment was terminated from a regular full-time position.

19 (b) The effective date of disability retirement shall be the first month following
 20 the month in which the member's last day of paid employment in a regular
 21 full-time position occurred, provided the member files the form entitled
 22 "Estimated Retirement Allowance" no later than six (6) months following
 23 the date the notification of approval for disability retirement benefits is
 24 mailed. If the member fails to file the form entitled "Estimated Retirement
 25 Allowance" within six (6) months of the date the notification of approval
 26 for disability retirement benefits is mailed, then the member's form entitled
 27 "Notification of Retirement" shall be void. The member shall be required to

submit a new form entitled "Notification of Retirement" to apply for disability retirement and reestablish eligibility for disability retirement benefits.

(c) The effective date of early retirement shall be the first month following the month the form entitled "Notification of Retirement"~~[-form]~~ is filed at the retirement office or a future month designated by the member, if employment in a regular full-time position has been terminated and if the member files the form entitled "Estimated Retirement Allowance Form" no later than six (6) months following termination. If the member fails to file the form entitled "Estimated Retirement Allowance" within six (6) months following the effective retirement date of the member, then the member's form entitled "Notification of Retirement" shall be void and the member shall be required to submit a new form entitled "Notification of Retirement" to apply for early retirement.

(6) The effective date of a deferred retirement option as provided under KRS 16.576(5) shall be the month following age sixty-five (65), or the month following written notification from the member that he wishes to begin receiving retirement payments. In the event of the death of a member who has deferred his retirement allowance, the effective date of retirement shall be the month following the member's death.

(7) Notwithstanding the provisions of KRS 16.578 or 61.640, the effective date of a beneficiary's retirement allowance under normal, early, or disability retirement shall be as prescribed in subsection (5) or (6) of this section if the member dies before the first retirement allowance has been issued by the State Treasurer and his beneficiary becomes eligible for payments under KRS 16.578 or 61.640.

➔ Section 15. KRS 61.615 is amended to read as follows:

(1) If the board's medical examiner determines that a recipient of a disability retirement

1 allowance is, prior to his normal retirement date, employed in a position with the
2 same or similar duties, or in a position with duties requiring greater residual
3 functional capacity and physical exertion, as the position from which he was
4 disabled, except where the recipient has returned to work on a trial basis not to
5 exceed nine (9) months, the system may reduce or discontinue the retirement
6 allowance. Each recipient of a disability retirement allowance who is engaged in
7 gainful employment shall notify the system of any employment; otherwise, the
8 system shall have the right to recover payments of a disability retirement allowance
9 made during the employment.

10 (2) If the board's medical examiner determines that a recipient of a disability retirement
11 allowance is, prior to his normal retirement date, no longer incapacitated by the
12 bodily injury, mental illness, or disease for which he receives a disability retirement
13 allowance, the board may reduce or discontinue the retirement allowance.

14 (3) The system shall have full power and exclusive authority to reduce or discontinue a
15 disability retirement allowance and the system shall utilize the services of a medical
16 examiner as provided in KRS 61.665, in determining whether to continue, reduce,
17 or discontinue a disability retirement allowance under this section.

18 (a) The system shall select a medical examiner to evaluate the forms and medical
19 information submitted by the person. If there is objective medical evidence of
20 a mental impairment, the medical examiner may request the board's licensed
21 mental health professional to assist in determining the level of the mental
22 impairment.

23 (b) The medical examiners shall be paid a reasonable amount by the retirement
24 system for each case evaluated.

25 (c) The medical examiner shall recommend that disability retirement allowance
26 be continued, reduced, or discontinued.

27 1. If the medical examiner recommends that the disability retirement

- 1 allowance be continued, the system shall make retirement payments in
2 accordance with the retirement plan selected by the person.
- 3 2. If the medical examiner recommends that the disability retirement
4 allowance be reduced or discontinued, the system shall send notice of
5 the recommendation by United States first-class mail to the person's last
6 address on file in the retirement office.
- 7 a. The person shall have sixty (60) days from the day that the system
8 mailed the notice to file at the retirement office additional
9 supporting employment or medical information and certify to the
10 retirement office that the forms and additional supporting
11 employment information or medical information are ready to be
12 evaluated by the medical examiner or to appeal the
13 recommendation of the medical examiner to reduce or discontinue
14 the disability retirement allowance by filing at the retirement office
15 a request for a formal hearing.
- 16 b. If the person fails or refuses to file at the retirement office the
17 forms, the additional supporting employment information, and
18 current medical information or to appeal the recommendation of
19 the medical examiners to reduce or discontinue the disability
20 retirement allowance, his retirement allowance shall be
21 discontinued on the first day of the month following the expiration
22 of the period of the sixty (60) days from the day the system mailed
23 the notice of the recommendation to the person's last address on
24 file in the retirement office.
- 25 (d) The medical examiner shall make a recommendation based upon the
26 evaluation of additional supporting medical information submitted in
27 accordance with paragraph (c)2.a. of this subsection.

- 1 1. If the medical examiner recommends that the disability retirement
2 allowance be continued, the system shall make disability retirement
3 payments in accordance with the retirement plan selected by the person.
- 4 2. If the medical examiner recommends that the disability retirement
5 allowance be reduced or discontinued based upon the evaluation of
6 additional supporting medical information, the system shall send notice
7 of this recommendation by United States first-class mail to the person's
8 last address on file in the retirement office.
 - 9 a. The person shall have sixty (60) days from the day that the system
10 mailed the notice of the recommendation to appeal the
11 recommendation to reduce or discontinue the disability retirement
12 allowance by filing at the retirement office a request for formal
13 hearing.
 - 14 b. If the person fails or refuses to appeal the recommendation of the
15 medical examiners to reduce or discontinue the disability
16 retirement allowance, his retirement allowance shall be
17 discontinued on the first day of the month following the expiration
18 of the period of the sixty (60) days from the day the system mailed
19 the notice of the recommendation to the person's last address on
20 file in the retirement office.
- 21 (e) Any person whose disability benefits have been reduced or discontinued,
22 pursuant to paragraph (c)2. or (d)2. of this subsection, may file at the
23 retirement office a request for formal hearing to be conducted in accordance
24 with KRS Chapter 13B. The right to demand a formal hearing shall be limited
25 to a period of sixty (60) days after the person had notice, as described in
26 paragraph (c) or (d) of this subsection. The request for formal hearing shall be
27 filed with the system, at the retirement office in Frankfort. The request for

1 formal hearing shall include a short and plain statement of the reasons the
2 reduction, discontinuance, or denial of disability retirement is being contested.

3 (f) Failure of the person to request a formal hearing within the period of time
4 specified shall preclude the person from proceeding any further with
5 contesting the reduction or discontinuation of disability retirement allowance,
6 except as provided in subsection (6)(d) of this section. This paragraph shall
7 not limit the person's right to appeal to a court.

8 (g) A final order of the board shall be based on substantial evidence appearing in
9 the record as a whole and shall set forth the decision of the board and the facts
10 and law upon which the decision is based. If the board orders that the person's
11 disability retirement allowance be discontinued or reduced, the order shall
12 take effect on the first day of the month following the day the system mailed
13 the order to the person's last address on file in the retirement office. Judicial
14 review of the final board order shall not operate as a stay and the system shall
15 discontinue or reduce the person's disability retirement allowance as provided
16 in this section.

17 (h) Notwithstanding any other provisions of this section, the system may require
18 the person to submit to one (1) or more medical or psychological
19 examinations at any time. The system shall be responsible for any costs
20 associated with any examinations of the person requested by the medical
21 examiner or the system for the purpose of providing medical information
22 deemed necessary by the medical examiner or the system. Notice of the time
23 and place of the examination shall be mailed to the person or his legal
24 representative. If the person fails or refuses to submit to one (1) or more
25 medical examinations, his rights to further disability retirement allowance
26 shall cease.

27 (i) All requests for a hearing pursuant to this section shall be made in writing.

- 1 (4) The board may establish an appeals committee whose members shall be appointed
 2 by the chair and who shall have the authority to act upon the recommendations and
 3 reports of the hearing officer pursuant to this section on behalf of the board.
- 4 (5) Any person aggrieved by a final order of the board may seek judicial review after all
 5 administrative appeals have been exhausted by filing a petition for judicial review
 6 in the Franklin Circuit Court in accordance with KRS Chapter 13B.
- 7 (6) If a disability retirement allowance is reduced or discontinued, the person may apply
 8 for early retirement benefits as provided under KRS 61.559, subject to the following
 9 provisions:
- 10 (a) The person may not change his beneficiary or payment option;
- 11 (b) If the person has returned to employment with an employer participating in
 12 one (1) of the systems administered by Kentucky Retirement Systems~~[the~~
 13 ~~system from which he retired]~~, the service and creditable compensation shall
 14 be used in recomputing his benefit, except that the person's final
 15 compensation shall not be less than the final compensation last used in
 16 determining his retirement allowance;
- 17 (c) The benefit shall be reduced as provided by KRS 61.595(2);
- 18 (d) The person shall remain eligible for reinstatement of his disability allowance
 19 upon reevaluation by the medical review board until his normal retirement
 20 age. The person shall apply for reinstatement of disability benefits in
 21 accordance with the provisions of this section. An application for
 22 reinstatement of disability benefits shall be administered as an application
 23 under KRS 61.600, and only the bodily injuries, mental illnesses, diseases,
 24 or conditions for which the person was originally approved for disability
 25 benefits shall be considered. Bodily injuries, mental illnesses, diseases, or
 26 conditions that came into existence after the person's last day of paid
 27 employment shall not be considered as a basis for reinstatement of disability

1 benefits. Bodily injuries, mental illnesses, diseases, or conditions alleged by
 2 the person as being incapacitating, but which were not the basis for the
 3 award of disability retirement benefits, shall not be considered. If the person
 4 establishes that the disability benefits should be reinstated, the retirement
 5 system shall pay disability benefits effective from the first day of the month
 6 following the month in which the person applied for reinstatement of the
 7 disability benefits; and

8 (e) Upon attaining normal retirement age, the person shall receive the higher of
 9 either his disability retirement allowance or his early retirement allowance.

10 (7) No disability retirement allowance shall be reduced or discontinued by the system
 11 after the person's normal retirement date except in case of reemployment as
 12 provided for by KRS 61.637. If a disability retirement allowance has been reduced
 13 or discontinued, except if the person is reemployed as provided for by KRS 61.637,
 14 the retirement allowance shall be reinstated upon attainment of the person's normal
 15 retirement date[age] to the retirement allowance prior to adjustment. No reinstated
 16 payment shall be less than the person is receiving upon attainment of the person's
 17 normal retirement date[age].

18 ➔Section 16. KRS 61.623 is amended to read as follows:

19 (1) A recipient who begins receiving a retirement allowance August 1, 2000, or after,
 20 from the Kentucky Employees Retirement System, the County Employees
 21 Retirement System, or the State Police Retirement System shall have the retirement
 22 allowance paid by electronic fund transfer to a financial institution designated by
 23 the recipient except as provided by subsection (5) of this section.

24 (2) When an individual becomes eligible to receive a monthly retirement allowance, the
 25 retirement system shall provide an authorization for deposit of retirement payment
 26 form to the recipient to have the monthly retirement allowance deposited to an
 27 account in a financial institution.

1 (3) The recipient~~[and the financial institution]~~ shall provide the information and
 2 authorization~~[authorizations]~~ required for the electronic transfer of funds from the
 3 State Treasurer's office to the designated financial institution.

4 (4) At any time while receiving a retirement allowance, the recipient may change the
 5 designated institution by completing a new authorization for deposit of retirement
 6 payment form and filing the form at the retirement office in Frankfort. The last
 7 authorization for deposit of retirement payment on file at the retirement office shall
 8 control the electronic transfer of the recipient's retirement allowance.

9 (5) (a) A recipient may request to be paid by check issued by the State Treasurer
 10 instead of by electronic transfer by completing and filing at the retirement
 11 office a request for payment by check form.

12 (b) The request shall be approved if:

13 1. The recipient certifies that he does not currently have an account with a
 14 financial institution; or

15 2. The recipient's bank certifies that it does not participate in the electronic
 16 funds transfer program;~~or~~

17 3. ~~The recipient is age seventy (70) or older as of July 15, 2008, and the~~
 18 ~~recipient files at the retirement office on or before December 31, 2008, a~~
 19 ~~request for payment by check form with a written explanation of why the~~
 20 ~~requirement to receive payment by electronic fund transfer presents a~~
 21 ~~hardship or is not in his or her best financial interest}.~~

22 (c) The retirement office shall, every five (5) years, require the recipient to certify
 23 that the original conditions under which he requested payment by check
 24 continue. If the original conditions do not exist, the recipient shall complete
 25 an authorization for direct deposit of retirement payment form and file it with
 26 the retirement office.

27 ➔Section 17. KRS 61.630 is amended to read as follows:

- 1 (1) If a retired member who did not elect an optional retirement plan dies at any time
 2 after retirement but before receiving total retirement allowances provided in KRS
 3 16.510 to 16.652, KRS 61.515 to 61.705, and KRS 78.520 to 78.852 at least equal
 4 to his accumulated contributions as of the date of his retirement, the difference
 5 between the accumulated contributions and the total allowances shall be payable in
 6 a lump sum to the properly designated beneficiary. If a living person designated as
 7 the beneficiary predeceases the retired member, the estate shall become the
 8 beneficiary. If a spouse designated as the beneficiary is divorced from the retired
 9 member as of the member's death, the estate shall become the beneficiary.
- 10 (2) If a retired member who elected an optional retirement plan and his beneficiary both
 11 die at any time after retirement of the member but before receiving total retirement
 12 allowances provided in KRS 16.510 to 16.652, KRS 61.515 to 61.705, and KRS
 13 78.520 to 78.852 at least equal to the retired member's accumulated contributions as
 14 of the date of his retirement, the difference between the accumulated contributions
 15 and the total allowances shall be payable in a lump sum to the estate of the last
 16 deceased, except that the retired member's estate shall receive the payment if the
 17 beneficiary was the spouse and they were divorced as of the date of the member's
 18 death. If the retired member and beneficiary die simultaneously, the estate of the
 19 retired member shall become the beneficiary.
- 20 (3) If a beneficiary receiving a lifetime retirement allowance under KRS 16.578 or
 21 61.640 dies before receiving total retirement allowances provided in KRS 16.510 to
 22 16.652, KRS 61.515 to 61.705, and KRS 78.520 to 78.852 at least equal to the
 23 member's accumulated contributions as of the date of the member's death, the
 24 difference between the accumulated contributions and the total allowances shall be
 25 payable in a lump sum to the estate of the beneficiary.
- 26 (4) If a beneficiary receiving a retirement allowance for sixty (60) or one hundred
 27 twenty (120) months certain under KRS 16.576, 16.578, or 61.640, or a beneficiary

1 receiving a retirement allowance under KRS 61.635(5), (6), or (7), dies before
 2 receiving all payments under the plan, the executor or administrator of his estate
 3 shall receive a lump sum payment which shall be the actuarial equivalent to the
 4 remaining payments.

- 5 (5) If the system is unable to verify a recipient's whereabouts or whether the recipient is
 6 living, the system shall suspend the recipient's retirement allowance. If the recipient
 7 is located, the system shall restore to the recipient all suspended retirement
 8 allowances.

9 ➔ Section 18. KRS 61.640 is amended to read as follows:

- 10 (1) If a member dies prior to retirement or before the first benefit payment has been
 11 issued by the State Treasurer, the member's beneficiary shall be eligible for the
 12 benefits provided by this section if the member had on file a written designation
 13 of a beneficiary with the retirement office and the member met the following
 14 conditions at the date of his or her death:

15 (a) The member was eligible to retire under KRS 61.559(2) or (3);

16 (b) The member was in active employment or on authorized leave of absence
 17 with five (5) or more years of service credit and died prior to his or her
 18 normal retirement date or was normal retirement age or older and had at
 19 least four (4) years of service credit; or

20 (c) The member was not in active employment or on authorized leave of
 21 absence with twelve (12) or more years of service credit and died prior to his
 22 or her normal retirement date.

- 23 (2) If the beneficiary eligible for benefits as provided in subsection (1) of this section
 24 is a single person, then the beneficiary may elect to receive:

25 (a) A monthly benefit payable for the life of the beneficiary that is equal to the
 26 benefit that would have been paid had the member retired immediately prior
 27 to his or her date of death and elected to receive benefits payable under the

1 survivorship one hundred percent (100%) option as provided in KRS
 2 61.635(2);

3 (b) A monthly benefit payable for the life of the beneficiary under the
 4 beneficiary Social Security adjustment option as provided in KRS 61.635(9)
 5 that is the actuarial equivalent to the amount computed under paragraph
 6 (a) of this subsection;

7 (c) A monthly benefit payable for a period of sixty (60) months that is the
 8 actuarial equivalent to the amount computed under paragraph (a) of this
 9 subsection;

10 (d) A monthly benefit payable for a period of one hundred twenty (120) months
 11 that is the actuarial equivalent to the amount computed under paragraph
 12 (a) of this subsection;

13 (e) A monthly benefit payable for a period of one hundred twenty (120) months
 14 that is equivalent to the benefit the member would have been entitled to
 15 receive based on his or her years of service and final compensation at the
 16 date of his or her death reduced by the survivorship fifty percent (50%)
 17 factor as provided for in KRS 61.635(4), then reduced by fifty percent
 18 (50%), and that is the actuarial equivalent to the amount computed under
 19 paragraph (a) of this subsection; or

20 (f) The higher of a refund of accumulated contributions and interest as
 21 described in KRS 61.625(1) or one (1) time lump-sum payment which shall
 22 be the actuarial equivalent of the amount payable under paragraph (a) of
 23 this subsection for a period of sixty (60) months.

24 (3) If the beneficiary eligible for benefits as provided by subsection (1) of this section
 25 are multiple beneficiaries or a trust, then the multiple beneficiaries by consensus
 26 or the trustee may elect to receive the actuarial equivalent amounts payable under
 27 paragraph (c), (d), (e), or (f) of subsection (2) of this section using the assumption

1 that the beneficiary's age is the same as the member's age.

- 2 (4) If the beneficiary eligible for benefits as provided in subsection (1) of this section
 3 is the member's estate, then the beneficiary shall receive the higher of a refund of
 4 accumulated contributions and interest as described in KRS 61.625(1) or the one
 5 (1) time lump-sum payment payable under paragraph (f) of subsection (2) of this
 6 section, using the assumption that the beneficiary's age is the same as the
 7 member's age. ~~If an employee who is of normal retirement age or greater is in the~~
 8 ~~active employment of a participating agency, or on official leave from the agency, if~~
 9 ~~the leave has been granted in accordance with the policy of the state Personnel~~
 10 ~~Cabinet, with service credit of forty eight (48) months or more, at least twelve (12)~~
 11 ~~of which are current service, or if an employee of less than normal retirement age is~~
 12 ~~in the active employment of a participating agency or on official leave from the~~
 13 ~~agency, if the leave has been granted in accordance with the policy of the state~~
 14 ~~Personnel Cabinet, with service credit of sixty (60) months, at least twelve (12) of~~
 15 ~~which are current service, dies at any time before the first retirement allowance~~
 16 ~~payment has been issued by the State Treasurer and has on file at the retirement~~
 17 ~~office at the time of his death a written designation of a beneficiary, the beneficiary~~
 18 ~~may elect to receive an annual benefit payable monthly commencing in the month~~
 19 ~~following the member's death which shall be equivalent to the benefit the member~~
 20 ~~would have been entitled to receive, based on his age, years of service, and final~~
 21 ~~compensation at date of his death, had the member been eligible for retirement and~~
 22 ~~had he chosen benefits payable under KRS 61.635(2); or the beneficiary may elect~~
 23 ~~the actuarial equivalent payable for sixty (60) months certain; or the beneficiary~~
 24 ~~may elect the actuarial equivalent payable for one hundred twenty (120) months~~
 25 ~~certain; or the beneficiary may elect the actuarial equivalent refund.~~
 26 ~~(2) If a member not in the active employment of a participating agency, nor on official~~
 27 ~~leave from the agency, with the service and age prescribed in KRS 61.559(2), dies~~

1 before the first retirement allowance payment has been issued by the State Treasurer
 2 and has on file in the retirement office at the time of his death a written designation
 3 of a beneficiary, the beneficiary may elect to receive an annual benefit payable
 4 monthly commencing in the month following the member's death which shall be
 5 equivalent to the benefit the member would have been entitled to receive, based on
 6 his age, years of service, and final compensation at date of his death, had he chosen
 7 benefits payable under KRS 61.635(2); or the beneficiary may elect the actuarial
 8 equivalent payable for sixty (60) months certain; or the beneficiary may elect the
 9 actuarial equivalent payable for one hundred twenty (120) months certain; or the
 10 beneficiary may elect the actuarial equivalent refund.

11 ~~(3) If a member, not in the active employment of a participating agency nor on official~~
 12 ~~leave from the agency, with twelve (12) or more years of service credit at least one~~
 13 ~~(1) of which is current service, dies at any time before the first retirement allowance~~
 14 ~~payment has been issued by the State Treasurer and has on file in the retirement~~
 15 ~~office at the time of his death a written designation of a beneficiary, the beneficiary~~
 16 ~~may elect to receive an annual benefit payable monthly commencing in the month~~
 17 ~~following the member's death which shall be equivalent to the benefit the member~~
 18 ~~would have been entitled to receive, based on his age, years of service, and final~~
 19 ~~compensation at date of his death, had the member been eligible for retirement and~~
 20 ~~had he chosen benefits payable under KRS 61.635(2); or the beneficiary may elect~~
 21 ~~the actuarial equivalent payable for sixty (60) months certain; or the beneficiary~~
 22 ~~may elect the actuarial equivalent payable for one hundred twenty (120) months~~
 23 ~~certain; or the beneficiary may elect the actuarial equivalent refund.~~

24 ~~(4) An alternative calculation of benefits payable to the beneficiary under subsection~~
 25 ~~(1), (2), or (3) of this section shall be determined by computing an annual benefit~~
 26 ~~payable commencing in the month following the member's death which shall be~~
 27 ~~equivalent to the benefit the member would have been entitled to receive based on~~

1 his years of service and final compensation at the date of his death reduced by the
 2 survivorship fifty percent (50%) factor as provided for in KRS 61.635(4) then
 3 reduced by fifty percent (50%), and the actuarial equivalent payable for sixty (60)
 4 months certain and one hundred twenty (120) months certain and the actuarial
 5 equivalent refund shall be determined.

6 ~~(5) If the member, subject to subsection (1), (2), (3), or (4) of this section, had on file in~~
 7 ~~the retirement office a written designation of multiple beneficiaries, his estate, trust,~~
 8 ~~or trustee, the multiple beneficiaries by consensus, the administrator, or executor of~~
 9 ~~the estate, or trustee may elect to receive the actuarial equivalent to the benefit~~
 10 ~~allowable under subsections (1), (2), (3), or (4) of this section given the assumptions~~
 11 ~~that the beneficiary's age is the same as the member's, and that the member had~~
 12 ~~chosen benefits payable monthly for sixty (60) months certain, or one hundred and~~
 13 ~~twenty (120) months certain, or an actuarial equivalent refund.~~

14 ~~(6) Actuarial equivalent refund. The beneficiary may elect to receive a one (1) time~~
 15 ~~lump sum payment which shall be the actuarial equivalent to the amount payable~~
 16 ~~under KRS 61.635(2) for a period of sixty (60) months. In the case of designation of~~
 17 ~~multiple beneficiaries, an estate, trust, or trustee, the multiple beneficiaries by~~
 18 ~~consensus, trustee, executor, or administrator of the estate may elect to receive a~~
 19 ~~one (1) time lump sum payment which shall be the actuarial equivalent of the~~
 20 ~~amount payable under KRS 61.635(2), assuming the beneficiary's age to be the~~
 21 ~~same as the member's for a period of sixty (60) months.~~

22 ~~(7) In the case of a single beneficiary, who is a person, the highest monthly benefit~~
 23 ~~determined under subsection (1), (2), (3), (4), or (6) of this section for a life annuity~~
 24 ~~or for payments for sixty (60) months certain or for payments for one hundred~~
 25 ~~twenty (120) months certain or for the actuarial equivalent refund or for the Social~~
 26 ~~Security adjustment option shall be tendered to the beneficiary. In the case of~~
 27 ~~designation of multiple beneficiaries, an estate, trust, or trustee, the highest~~

1 ~~monthly benefit determined under subsection (1), (2), (3), (4), (5), or (6) of this~~
 2 ~~section for payments for sixty (60) months certain or one hundred and twenty (120)~~
 3 ~~months certain or the actuarial equivalent refund shall be tendered to the multiple~~
 4 ~~beneficiaries, trustee, administrator, or executor of the estate.]~~

5 (5)~~(8)~~ Payments of taxable distributions made pursuant to this section shall be
 6 subject to state and federal income tax as appropriate.

7 ➔Section 19. KRS 61.645 is amended to read as follows:

- 8 (1) The County Employees Retirement System, Kentucky Employees Retirement
 9 System, and State Police Retirement System shall be administered by the board of
 10 trustees of the Kentucky Retirement Systems composed of nine (9) members, who
 11 shall be selected as follows:
- 12 (a) The secretary of the Personnel Cabinet shall serve as trustee for as long as he
 13 occupies the position of secretary under KRS 18A.015, except as provided
 14 under subsections (5) and (6) of this section;
 - 15 (b) Two (2) trustees, who shall be members or retired from the County Employees
 16 Retirement System, elected by the members and retired members of the
 17 County Employees Retirement System;
 - 18 (c) One (1) trustee, who shall be a member or retired from the State Police
 19 Retirement System, elected by the members and retired members of the State
 20 Police Retirement System;
 - 21 (d) Two (2) trustees, who shall be members or retired from the Kentucky
 22 Employees Retirement System, elected by the members and retired members
 23 of the Kentucky Employees Retirement System; and
 - 24 (e) Three (3) trustees, appointed by the Governor of the Commonwealth. Of the
 25 three (3) trustees appointed by the Governor, one (1) shall be knowledgeable
 26 about the impact of pension requirements on local governments.
- 27 (2) The board is hereby granted the powers and privileges of a corporation, including

1 but not limited to the following powers:

- 2 (a) To sue and be sued in its corporate name;
- 3 (b) To make bylaws not inconsistent with the law;
- 4 (c) To conduct the business and promote the purposes for which it was formed;
- 5 (d) To contract for investment counseling, actuarial, auditing, medical, and other
- 6 professional or technical services as required to carry out the obligations of
- 7 the board without limitation, notwithstanding the provisions of KRS Chapters
- 8 45, 45A, 56, and 57;
- 9 (e) To purchase fiduciary liability insurance;
- 10 (f) To acquire, hold, sell, dispose of, pledge, lease, or mortgage, the goods or
- 11 property necessary to exercise the board's powers and perform the board's
- 12 duties without limitation, notwithstanding the limitations of KRS Chapters 45,
- 13 45A, and 56; and
- 14 (g) The board shall reimburse any trustee, officer, or employee for any legal
- 15 expense resulting from a civil action arising out of the performance of his
- 16 official duties.

17 (3) Notwithstanding the provisions of subsection (1) of this section, each trustee shall
 18 serve a term of four (4) years or until his successor is duly qualified except as
 19 otherwise provided in this section. An elected trustee shall not serve more than three
 20 (3) consecutive four (4) year terms. An elected trustee who has served three (3)
 21 consecutive terms may be elected again after an absence of four (4) years from the
 22 board.

23 (4) (a) The trustees selected by the membership of each of the various retirement
 24 systems shall be elected by ballot. For each trustee to be elected, the board
 25 may nominate, not less than six (6) months before a term of office of a trustee
 26 is due to expire, three (3) constitutionally eligible individuals.

27 (b) Individuals may be nominated by the retirement system members which are to

1 elect the trustee by presenting to the executive director, not less than four (4)
2 months before a term of office of a trustee is due to expire, a petition, bearing
3 the name, Social Security number, and signature of no less than one-tenth
4 (1/10) of the number voting in the last election by the retirement system
5 members.

6 (c) Within four (4) months of the nominations made in accordance with
7 paragraphs (a) and (b) of this subsection, the executive director shall cause to
8 be prepared an official ballot. The ballot shall carry the name, address, and
9 position title of each individual nominated by the board and by petition.
10 Provisions shall also be made for write-in votes.

11 (d) The ballots shall be distributed to the eligible voters by mail to their last
12 known residence address.

13 (e) The ballots shall be addressed to the Kentucky Retirement Systems in care of
14 a predetermined box number at a United States Post Office located within
15 Kentucky. Access to this post office box shall be limited to the board's
16 contracted auditing firm. The individual receiving a plurality of votes shall be
17 declared elected.

18 (f) The eligible voter shall cast his ballot by checking a square opposite the name
19 of the candidate of his choice. He shall sign and mail the ballot at least thirty
20 (30) days prior to the date the term to be filled is due to expire. The latest
21 mailing date shall be printed on the ballot.

22 (g) The board's contracted auditing firm shall report in writing the outcome to the
23 chair of the board of trustees. Cost of an election shall be payable from the
24 funds of the system for which the trustee is elected.

25 **(h) For purposes of this subsection, an eligible voter shall be a person who was**
26 **a member of the retirement system on December 31 of the year preceding**
27 **the election year.**

1 (5) Any vacancy which may occur in an appointed position shall be filled in the same
 2 manner which provides for the selection of the particular trustee, and any vacancy
 3 which may occur in an elected position shall be filled by appointment by a majority
 4 vote of the remaining trustees, and if the secretary of the Personnel Cabinet resigns
 5 his position as trustee, it shall be filled by appointment made by the Governor;
 6 however, any vacancy shall be filled only for the duration of the unexpired term.

7 (6) (a) Membership on the board of trustees shall not be incompatible with any other
 8 office unless a constitutional incompatibility exists. No trustee shall serve in
 9 more than one (1) position as trustee on the board; and if a trustee holds more
 10 than one (1) position as trustee on the board, he shall resign a position.

11 (b) A trustee shall be removed from office upon conviction of a felony or for a
 12 finding of a violation of any provision of KRS 11A.020 or 11A.040 by a court
 13 of competent jurisdiction.

14 (c) A current or former employee of Kentucky Retirement Systems shall not be
 15 eligible to serve as a member of the board.

16 (7) Trustees who do not otherwise receive a salary from the State Treasury shall receive
 17 a per diem of eighty dollars (\$80) for each day they are in session or on official
 18 duty, and they shall be reimbursed for their actual and necessary expenses in
 19 accordance with state administrative regulations and standards.

20 (8) The board shall meet at least once in each quarter of the year and may meet in
 21 special session upon the call of the chair or the executive director. It shall elect a
 22 chair and a vice chair. A majority of the trustees shall constitute a quorum and all
 23 actions taken by the board shall be by affirmative vote of a majority of the trustees
 24 present.

25 (9) (a) The board of trustees shall appoint or contract for the services of an executive
 26 director and fix the compensation and other terms of employment for this
 27 position without limitation of the provisions of KRS Chapters 18A and 45A

1 and KRS 64.640. The executive director shall be the chief administrative
2 officer of the board.

3 (b) The board of trustees shall authorize the executive director to appoint the
4 employees deemed necessary to transact the business of the system. For an
5 appointee deemed to be in a policy-making position, the board shall determine
6 the compensation and other terms of employment for the policy-making
7 position without limitation of the provisions of KRS Chapter 18A. Anything
8 in the Kentucky Revised Statutes to the contrary notwithstanding, the power
9 over and control of determining and maintaining an adequate complement of
10 employees shall be under the exclusive jurisdiction of the board of trustees.

11 (c) Effective December 1, 2002, all employees of the Kentucky Retirement
12 Systems shall be transferred to a personnel system adopted by the board.
13 Employees of Kentucky Retirement Systems covered by the personnel system
14 adopted by the board shall be:

- 15 1. Provided the same health insurance coverage as all other state
16 government employees as provided in KRS 18A.225;
- 17 2. Eligible to participate in the deferred compensation system provided for
18 all state government employees as provided in KRS 18A.250 to
19 18A.265;
- 20 3. Provided the same life insurance coverage provided all state employees
21 as provided in KRS 18A.205 to 18A.215;
- 22 4. Reimbursed for all reasonable and necessary travel expenses and
23 disbursements incurred or made in the performance of official duties in
24 accordance with KRS Chapter 45;
- 25 5. Ensured equal employment opportunity regardless of race, color, gender,
26 religion, national origin, disability, sexual orientation, or age;
- 27 6. Given those holidays and rights granted to state employees as provided

1 in KRS 18A.190;

2 7. Paid a salary not less than the salary paid as of the date of transfer to the
3 personnel system, unless voluntarily demoted or involuntarily demoted
4 for cause;

5 8. Credited with all accumulated sick leave, compensatory time, and
6 annual leave accumulated in accordance with KRS Chapter 18A, and for
7 an employee leaving service, the system shall attest to the employee's
8 accumulated sick leave, compensatory time, and annual leave which
9 shall be credited with other state and county employers to the extent
10 provided for by statute or policy. The Kentucky Retirement Systems
11 may, at the discretion of the board, accept from other state and county
12 employers all accumulated sick leave, compensatory time, and annual
13 leave for an employee leaving a state or county employer and accepting
14 employment with the Kentucky Retirement Systems. The executive
15 branch shall accept from the Kentucky Retirement Systems all
16 accumulated sick leave, compensatory time, and annual leave for an
17 employee leaving the Kentucky Retirement Systems and accepting
18 employment with the executive branch. The Kentucky Retirement
19 Systems shall accept from the executive branch all accumulated sick
20 leave, compensatory time, and annual leave for an employee leaving the
21 executive branch and accepting employment with the Kentucky
22 Retirement Systems;

23 9. Classified with status upon transfer to the personnel system on
24 December 1, 2002, if the employee was classified with status as a merit
25 employee under KRS Chapter 18A. Any employee of the Kentucky
26 Retirement Systems transferred on December 1, 2002, during the
27 probationary period before earning classified status as a merit system

1 employee under KRS Chapter 18A shall transfer all accrued
2 probationary time and the time shall be credited to the probationary time
3 required to attain classified status in the personnel system;

4 10. Ensured a grievance appeal procedure and the employee's right to have a
5 representative present at each step of the grievance procedure; and

6 11. Ensured of the right of appeal in a manner consistent with the provisions
7 of KRS 18A.095 to the Kentucky Personnel Board and employees
8 classified with status in the personnel system shall not be dismissed,
9 demoted, suspended, or otherwise penalized except for cause.

10 (d) The board shall adopt by administrative regulation a fair, equitable, and
11 comprehensive personnel policy with a minimum of the following provisions
12 for the personnel system:

13 1. A code of conduct including provisions describing performance of
14 duties, abuse of position, conflicts of interest, and outside employment;

15 2. An appointments plan including provisions describing the appointing
16 authority, appointments, equal employment policy, sexual harassment
17 policy, and drug-free workplace policy;

18 3. A classification plan including provisions describing class
19 specifications, position actions, and employee actions;

20 4. A compensation plan based on qualifications, experience, and
21 responsibilities and including provisions which describe a salary
22 schedule, salary adjustments, salary advancements, and an employee
23 suggestion program;

24 5. Separations, disciplinary actions, and appeal policies including
25 provisions describing classified with status, exemptions from classified
26 with status, layoffs, abolishment of position, dismissals and notification
27 of dismissal, dismissals during probationary period, disciplinary actions,

- 1 right of appeal, grievance and appeal procedures, and an employee
2 grievance and appeal committee;
- 3 6. Service and benefits regulations including provisions describing hours of
4 work, fringe benefits, workers' compensation, payroll deductions,
5 holidays, inclement weather days, compensatory time, retirement,
6 resignations, employee evaluations, and political activities; and
- 7 7. Leave policies including provisions describing special leave, annual
8 leave, court leave and jury duty, military leave, voting leave, educational
9 leave, sick leave, family medical leave, leave without pay, absence
10 without leave, and blood donation leave.
- 11 (e) The board shall require the executive director and the employees as it thinks
12 proper to execute bonds for the faithful performance of their duties
13 notwithstanding the limitations of KRS Chapter 62.
- 14 (f) The board shall establish a system of accounting.
- 15 (g) The board shall do all things, take all actions, and promulgate all
16 administrative regulations, not inconsistent with the provisions of KRS 16.505
17 to 16.652, 61.510 to 61.705, and 78.510 to 78.852, necessary or proper in
18 order to carry out the provisions of KRS 16.505 to 16.652, 61.510 to 61.705,
19 and 78.510 to 78.852. Notwithstanding any other evidence of legislative
20 intent, it is hereby declared to be the controlling legislative intent that the
21 provisions of KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852
22 conform with federal statute or regulation and meet the qualification
23 requirements under 26 U.S.C. sec. 401(a), applicable federal regulations, and
24 other published guidance. Provisions of KRS 16.505 to 16.652, 61.510 to
25 61.705, and 78.510 to 78.852 which conflict with federal statute or regulation
26 or qualification under 26 U.S.C. sec. 401(a), applicable federal regulations,
27 and other published guidance shall not be available. The board shall have the

1 authority to promulgate administrative regulations to conform with federal
2 statute and regulation and to meet the qualification requirements under 26
3 U.S.C. sec. 401(a), including an administrative regulation to comply with 26
4 U.S.C. sec. 401(a)(9). The board shall have the authority to promulgate an
5 administrative regulation to comply with any consent decrees entered into by
6 the board in Civil Action No. 3:99CV500(C) in order to bring the systems into
7 compliance with the Age Discrimination in Employment Act, 29 U.S.C.
8 Section 621, et seq., as amended.

9 (10) All employees of the board shall serve during its will and pleasure. Notwithstanding
10 any statute to the contrary, employees shall not be considered legislative agents
11 under KRS 6.611.

12 (11) The Attorney General, or an assistant designated by him, may attend each meeting
13 of the board and may receive the agenda, board minutes, and other information
14 distributed to trustees of the board upon request. The Attorney General may act as
15 legal adviser and attorney for the board, and the board may contract for legal
16 services, notwithstanding the limitations of KRS Chapter 12 or 13B.

17 (12) The system shall publish an annual financial report showing all receipts,
18 disbursements, assets, and liabilities. The annual report shall include a copy of an
19 audit conducted in accordance with generally accepted auditing standards. The
20 board may select an independent certified public accountant or the Auditor of
21 Public Accounts to perform the audit. If the audit is performed by an independent
22 certified public accountant, the Auditor of Public Accounts shall not be required to
23 perform an audit pursuant to KRS 43.050(2)(a), but may perform an audit at his
24 discretion. All proceedings and records of the board shall be open for inspection by
25 the public. The system shall make copies of the audit required by this subsection
26 available for examination by any member, retiree, or beneficiary in the office of the
27 executive director of the Kentucky Retirement Systems and in other places as

1 necessary to make the audit available to all members, retirees, and beneficiaries. A
2 copy of the annual audit shall be sent to the Legislative Research Commission no
3 later than ten (10) days after receipt by the board.

4 (13) All expenses incurred by or on behalf of the system and the board in the
5 administration of the system during a fiscal year shall be paid from the retirement
6 allowance account. Any other statute to the contrary notwithstanding, authorization
7 for all expenditures relating to the administrative operations of the system shall be
8 contained in the biennial budget unit request, branch budget recommendation, and
9 the financial plan adopted by the General Assembly pursuant to KRS Chapter 48.

10 (14) Any person adversely affected by a decision of the board, except as provided under
11 subsection (16) of this section or KRS 61.665, involving KRS 16.505 to 16.652,
12 61.510 to 61.705, and 78.510 to 78.852, may appeal the decision of the board to the
13 Franklin Circuit Court within sixty (60) days of the board action.

14 (15) (a) A trustee shall discharge his duties as a trustee, including his duties as a
15 member of a committee:

- 16 1. In good faith;
- 17 2. On an informed basis; and
- 18 3. In a manner he honestly believes to be in the best interest of the
19 Kentucky Retirement Systems.

20 (b) A trustee discharges his duties on an informed basis if, when he makes an
21 inquiry into the business and affairs of the Kentucky Retirement Systems or
22 into a particular action to be taken or decision to be made, he exercises the
23 care an ordinary prudent person in a like position would exercise under similar
24 circumstances.

25 (c) In discharging his duties, a trustee may rely on information, opinions, reports,
26 or statements, including financial statements and other financial data, if
27 prepared or presented by:

- 1 1. One (1) or more officers or employees of the Kentucky Retirement
2 Systems whom the trustee honestly believes to be reliable and competent
3 in the matters presented;
- 4 2. Legal counsel, public accountants, actuaries, or other persons as to
5 matters the trustee honestly believes are within the person's professional
6 or expert competence; or
- 7 3. A committee of the board of trustees of which he is not a member if the
8 trustee honestly believes the committee merits confidence.
- 9 (d) A trustee shall not be considered as acting in good faith if he has knowledge
10 concerning the matter in question that makes reliance otherwise permitted by
11 paragraph (c) of this subsection unwarranted.
- 12 (e) Any action taken as a trustee, or any failure to take any action as a trustee,
13 shall not be the basis for monetary damages or injunctive relief unless:
 - 14 1. The trustee has breached or failed to perform the duties of the trustee's
15 office in compliance with this section; and
 - 16 2. In the case of an action for monetary damages, the breach or failure to
17 perform constitutes willful misconduct or wanton or reckless disregard
18 for human rights, safety, or property.
- 19 (f) A person bringing an action for monetary damages under this section shall
20 have the burden of proving by clear and convincing evidence the provisions of
21 paragraph (e)1. and 2. of this subsection, and the burden of proving that the
22 breach or failure to perform was the legal cause of damages suffered by the
23 Kentucky Retirement Systems.
- 24 (g) Nothing in this section shall eliminate or limit the liability of any trustee for
25 any act or omission occurring prior to July 15, 1988.
- 26 (h) In discharging his or her administrative duties under this section, a trustee
27 shall strive to administer the retirement system in an efficient and cost-

1 effective manner for the taxpayers of the Commonwealth of Kentucky.

2 (16) When an order by the system substantially impairs the benefits or rights of a
3 member, retired member, or recipient, except action which relates to entitlement to
4 disability benefits, the affected member, retired member, or recipient may request a
5 hearing to be held in accordance with KRS Chapter 13B. The board may establish
6 an appeals committee whose members shall be appointed by the chair and who shall
7 have authority to act upon the recommendations and reports of the hearing officer
8 on behalf of the board. The member, retired member, or recipient aggrieved by a
9 final order of the board following the hearing may appeal the decision to the
10 Franklin Circuit Court, in accordance with KRS Chapter 13B.

11 (17) The board shall give the Kentucky Education Support Personnel Association
12 twenty-four (24) hours notice of the board meetings, to the extent possible.

13 (18) The board shall establish a formal trustee education program for all trustees of the
14 board. The program shall include but not be limited to the following:

15 (a) A required orientation program for all new trustees elected or appointed to the
16 board. The orientation program shall include training on:

- 17 1. Benefits and benefits administration;
- 18 2. Investment concepts, policies, and current composition and
19 administration of retirement systems investments;
- 20 3. Laws, bylaws, and administrative regulations pertaining to the
21 retirement systems and to fiduciaries; and
- 22 4. Actuarial and financial concepts pertaining to the retirement systems.

23 If a trustee fails to complete the orientation program within one (1) year from
24 the beginning of his or her first term on the board, the retirement systems shall
25 withhold payment of the per diem and travel expenses due to the board
26 member under this section and KRS 16.640 and 78.780 until the trustee has
27 completed the orientation program;

1 (b) Annual required training for board members on the administration, benefits,
 2 financing, and investing of the retirement systems. If a trustee fails to
 3 complete the annual required training during the calendar or fiscal year, the
 4 retirement systems shall withhold payment of the per diem and travel
 5 expenses due to the board member under this section and KRS 16.640 and
 6 78.780 until the board member has met the annual training requirements; and

7 (c) The retirement systems shall incorporate by reference in an administrative
 8 regulation, pursuant to KRS 13A.2251, the trustee education program.

9 (19) In order to improve public transparency regarding the administration of the systems,
 10 the board of trustees shall adopt a best practices model by posting the following
 11 information to the retirement systems' Web site and shall make available to the
 12 public:

13 (a) Meeting notices and agendas for all meetings of the board. Notices and
 14 agendas shall be posted to the retirement systems' Web site at least seventy-
 15 two (72) hours in advance of the board or committee meetings, except in the
 16 case of special or emergency meetings as provided by KRS 61.823;

17 (b) The Comprehensive Annual Financial Report with the information as follows:
 18 1. A general overview and update on the retirement systems by the
 19 executive director;
 20 2. A listing of the board of trustees;
 21 3. A listing of key staff;
 22 4. An organizational chart;
 23 5. Financial information, including a statement of plan net assets, a
 24 statement of changes in plan net assets, an actuarial value of assets, a
 25 schedule of investments, a statement of funded status and funding
 26 progress, and other supporting data;
 27 6. Investment information, including a general overview, a list of the

1 retirement system's professional consultants, a total return on retirement
 2 systems investments over a historical period, an investment summary,
 3 contracted investment management expenses, transaction commissions,
 4 and a schedule of investments;

5 7. The annual actuarial valuation report on the pension benefit and the
 6 medical insurance benefit; and

7 8. A general statistical section, including information on contributions,
 8 benefit payouts, and retirement systems' demographic data;

9 (c) All external audits;

10 (d) All board minutes or other materials that require adoption or ratification by
 11 the board of trustees. The items listed in this paragraph shall be posted within
 12 seventy-two (72) hours of adoption or ratification of the board;

13 (e) All bylaws, policies, or procedures adopted or ratified by the board of trustees;

14 (f) The retirement systems' summary plan description;

15 (g) A document containing an unofficial copy of the statutes governing the
 16 systems administered by Kentucky Retirement Systems;

17 (h) A listing of the members of the board of trustees and membership on each
 18 committee established by the board, including any investment committees;

19 (i) All investment holdings and commissions for each fund administered by the
 20 board. The board shall update the list of holdings and commissions on a
 21 quarterly basis for fiscal years beginning on or after July 1, 2008; and

22 (j) An update of investment returns, asset allocations, and the performance of the
 23 funds against benchmarks adopted by the board for each fund and for each
 24 asset class administered by the board. The update shall be posted on a
 25 quarterly basis for fiscal years beginning on or after July 1, 2008.

26 (20) Notwithstanding the requirements of subsection (19) of this section, the retirement
 27 systems shall not be required to furnish information that is protected under KRS

61.661, exempt under KRS 61.878, or that, if disclosed, would compromise the retirement systems' ability to competitively invest in real estate or other asset classes, or to competitively negotiate vendor fees.

➔ Section 20. KRS 61.675 is amended to read as follows:

(1) The employer shall prepare the records and, from time to time, shall furnish the information the system may require in the discharge of its duties. Upon employment of an employee, the employer shall inform him of his duties and obligations in connection with the system as a condition of employment.

(2) The system may at any time conduct an audit of the employer in order to determine if the employer is complying with the provisions of KRS 16.505 to 16.652, 61.610 to 61.705, or 78.510 to 78.852. The system shall have access to and may examine all books, accounts, reports, correspondence files, and records of any employer. Every employer, employee, or agency reporting official of a department or county, as defined in KRS 78.510(3), having records in his possession or under his control, shall permit access to and examination of the records upon the request of the system.

(3) (a) Any agency participating in the Kentucky Employees Retirement System which is not an integral part of the executive branch of state government shall file the following at~~forward the employer and employee contributions required under KRS 61.560 and 61.565 to~~ the retirement office on or before the tenth day of the month following the period being reported:

1. The employer and employee contributions required under KRS 61.560 and 61.565; and

2. A record of all contributions to the system on the forms prescribed by the board.

(b) If the agency fails to file~~forward~~ all contributions and reports on or before the tenth day of the month following the period being reported, interest on the

delinquent contributions at the actuarial rate adopted by the board compounded annually, but not less than one thousand dollars (\$1,000), shall be added to the amount due the system.

➔ Section 21. KRS 61.701 is amended to read as follows:

(1) (a) There is hereby created and established a trust fund to be known as "Kentucky Retirement Systems Insurance Trust Fund." All assets received in the trust fund shall be deemed trust funds to be held and applied solely as provided in this section. Assets of the trust fund shall not be used for any other purpose and shall not be used to pay the claims of creditors or any individual, person, or employer participating in the Kentucky Employees Retirement System, County Employees Retirement System, or State Police Retirement System.

(b) The trust fund is intended to be established as a trust exempt from taxation under 26 U.S.C. sec. 115.

(2) The trust fund is created~~[pursuant to 26 U.S.C. sec. 106]~~ for the purpose of providing a trust~~[fund]~~ separate from the retirement funds. Trust fund assets are dedicated for use for health~~[and is to be used to provide fringe]~~ benefits as provided in KRS 61.702, and as permitted under 26 U.S.C. secs. 105 and 106, to retired recipients and employees of employers participating in the Kentucky Employees Retirement System, County Employees Retirement System, and State Police Retirement System, and to certain of their dependents or beneficiaries, including but not limited to qualified beneficiaries as described in 42 U.S.C. sec. 300bb-1 et seq.

(3) The trust fund shall be administered by the board of trustees of the Kentucky Retirement Systems and the board shall serve as trustees of the fund. The board shall manage the assets of the fund in the same manner in which it administers the retirement funds, except that separate accounting and financial reporting shall be

1 *maintained for the trust fund.*

2 *(4) In addition to the requirements of subsection (2) of this section, the employers*
 3 *participating in the trust fund are limited to the Commonwealth, political*
 4 *subdivisions of the Commonwealth, and entities whose income is exempt from*
 5 *taxation under 26 U.S.C. sec. 115. No other entity may participate in the trust*
 6 *fund.*

7 *(5) If the trust fund is terminated, the assets in the trust fund may revert, after the*
 8 *payment of all liabilities, to the participating employers as determined by the*
 9 *board of trustees.*

10 *(6) The board of trustees may adopt regulations and procedures and take all action*
 11 *necessary and appropriate to provide that the income of the trust fund is exempt*
 12 *from taxation under Title 26 of United States Code.*

13 *(7) The establishment of Kentucky Retirement Systems Insurance Trust Fund shall*
 14 *not diminish or expand the rights of any recipients, employees, or dependents to*
 15 *health benefits.*

16 ➔Section 22. KRS 61.702 is amended to read as follows:

17 (1) (a) The board of trustees of Kentucky Retirement Systems shall arrange by
 18 appropriate contract or on a self-insured basis to provide a group hospital and
 19 medical insurance plan for present and future recipients of a retirement
 20 allowance from the Kentucky Employees Retirement System, County
 21 Employees Retirement System, and State Police Retirement System, except as
 22 provided in subsection (8) of this section. The board shall also arrange to
 23 provide health care coverage through an insurer licensed pursuant to Subtitle
 24 38 of KRS Chapter 304 and offering a managed care plan as defined in KRS
 25 304.17A-500, as an alternative to group hospital and medical insurance for
 26 any person eligible for hospital and medical benefits under this section. Any
 27 person who chooses coverage under a managed care plan shall pay, by payroll

deduction from the retirement allowance or by another method, the difference in premium between the cost of the managed care plan coverage and the benefits to which he would be entitled under this section. *For purposes of this section, "hospital and medical insurance plan" means any hospital and medical expense policy or certificate, provider-sponsored integrated health delivery network, self-insured medical plan, health maintenance organization contract, or other health benefit plan.*

(b) The board may authorize present and future recipients of a retirement allowance from any of the three (3) retirement systems to be included in the state employees' group for hospital and medical insurance and shall provide benefits for recipients equal to those provided to state employees having the same Medicare hospital and medical insurance eligibility status, except as provided in subsection (8) of this section. Notwithstanding the provisions of any other statute, recipients shall be included in the same class as current state employees in determining medical insurance policies and premiums.

(c) For recipients of a retirement allowance who are not eligible for the same level of hospital and medical benefits as recipients living in Kentucky having the same Medicare hospital and medical insurance eligibility status, the board shall provide a medical insurance reimbursement plan as described in subsection (7) of this section.

(d) Notwithstanding anything in KRS Chapter 61 to the contrary, the board of trustees, in its discretion, may take necessary steps to ensure compliance with 42 U.S.C. sec. 300bb-1 et seq., including but not limited to receiving contributions and premiums from, and providing benefits pursuant to this section to, persons entitled to continuation coverage under 42 U.S.C. sec. 300bb-1 et seq., regardless of whether such persons are recipients of a retirement allowance.

1 (2) (a) Each employer participating in the State Police Retirement System as
 2 provided for in KRS 16.505 to 16.652, each employer participating in the
 3 County Employees Retirement System as provided in KRS 78.510 to 78.852,
 4 and each employer participating in the Kentucky Employees Retirement
 5 System as provided for in KRS 61.510 to 61.705 shall contribute to the
 6 Kentucky Retirement Systems insurance trust fund the amount necessary to
 7 provide hospital and medical insurance as provided for under this section.
 8 Such employer contribution rate shall be developed by appropriate actuarial
 9 method as a part of the determination of each respective employer
 10 contribution rate to each respective retirement system determined under KRS
 11 61.565.

12 (b) 1. Each employer described in paragraph (a) of this subsection shall deduct
 13 from the creditable compensation of each member having a membership
 14 date on or after September 1, 2008, an amount equal to one percent (1%)
 15 of the member's creditable compensation. The deducted amounts shall
 16 be credited to accounts established pursuant to 26 U.S.C. Sec 401(h),
 17 within the funds established in KRS 16.510, 61.515, and 78.520~~the~~
 18 ~~Kentucky Retirement Systems insurance fund established by KRS~~
 19 ~~61.701~~].

20 2. The employer shall file the contributions as provided by subparagraph 1.
 21 of this paragraph at the retirement office in accordance with KRS 61.675
 22 and 78.625. Any interest or penalties paid on any delinquent
 23 contributions shall be credited to accounts established pursuant to 26
 24 U.S.C. sec. 401(h), within the funds established in KRS 16.510,
 25 61.515, and 78.520~~the Kentucky Retirement Systems insurance fund~~].
 26 Notwithstanding any minimum compensation requirements provided by
 27 law, the deductions provided by this paragraph shall be made, and the

1 compensation of the member shall be reduced accordingly.

2 3. Each employer shall submit payroll reports, contributions lists, and other
3 data as may be required by administrative regulation promulgated by the
4 board of trustees pursuant to KRS Chapter 13A.

5 4. Every member shall be deemed to consent and agree to the deductions
6 made pursuant to this paragraph, and the payment of salary or
7 compensation less the deductions shall be a full and complete discharge
8 of all claims for services rendered by the person during the period
9 covered by the payment, except as to any benefits provided by KRS
10 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852. No member
11 may elect whether to participate in, or choose the contribution amount to
12 accounts established pursuant to 26 U.S.C. sec. 401(h) within the
13 funds established in KRS 16.510, 61.515, and 78.520~~[the Kentucky~~
14 ~~Retirement Systems insurance fund]~~. The member shall have no option
15 to receive the contribution required by this paragraph directly instead of
16 having the contribution paid to accounts established pursuant to 26
17 U.S.C. sec. 401(h) within the funds established in KRS 16.510, 61.515,
18 and 78.520~~[the Kentucky Retirement Systems insurance fund]~~. No
19 member may receive a rebate or refund of contributions. If a member
20 establishes a membership date prior to September 1, 2008, pursuant to
21 KRS 61.552(1) or 61.552(23), then this paragraph shall not apply to
22 the member and all contributions previously deducted in accordance
23 with this paragraph shall be refunded to the member without interest.

24 The contribution made pursuant to this paragraph shall not act as a
25 reduction or offset to any other contribution required of a member or
26 recipient under KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510 to
27 78.852.

5. The board of trustees, at its discretion, may direct that the contributions required by this paragraph be accounted for within accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510, 61.515, and 78.520~~[the Kentucky Retirement Systems insurance fund]~~ through the use of separate accounts.

(3) (a) The premium required to provide hospital and medical benefits under this section shall be paid:

1. Wholly or partly from funds contributed by the recipient of a retirement allowance, by payroll deduction, or otherwise;

2. Wholly or partly from funds contributed by the Kentucky Retirement Systems insurance trust fund;

3. Wholly or partly from funds contributed to accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510, 61.515, and 78.520;

4. Wholly or partly from funds contributed by another state-administered retirement system under a reciprocal arrangement, except that any portion of the premium paid from the Kentucky Retirement Systems insurance trust fund or accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510, 61.515, and 78.520 under a reciprocal agreement shall not exceed the amount that would be payable under this section if all the member's service were in one (1) of the systems administered by the Kentucky Retirement Systems;

~~5.[4.]~~Partly from subparagraphs 1., to 4.~~[2., or 3.]~~ of this paragraph, except that any premium for hospital and medical insurance over the amount contributed by the Kentucky Retirement Systems insurance trust fund; accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510, 61.515, and 78.520; or another state-

administered retirement system under a reciprocal agreement shall be paid by the recipient by an automatic electronic transfer of funds. If the board provides for cross-referencing of insurance premiums, the employer's contribution for the working member or spouse shall be applied toward the premium, and the Kentucky Retirement Systems insurance trust fund or accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510, 61.515, and 78.520 shall pay the balance, not to exceed the monthly contribution; or

6.[5.] In full from the Kentucky Retirement Systems insurance trust fund or accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510, 61.515, and 78.520 for all recipients of a retirement allowance from any of the three (3) retirement systems where such recipient is a retired former member of one (1) or more of the three (3) retirement systems (not a beneficiary or dependent child receiving benefits) and had two hundred and forty (240) months or more of service upon retirement. Should such recipient have less than two hundred forty (240) months of service but have at least one hundred eighty (180) months of service, seventy-five percent (75%) of such premium shall be paid from the insurance trust fund or accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510, 61.515, and 78.520, provided such recipient agrees to pay the remaining twenty-five percent (25%) by payroll deduction from his retirement allowance or by another method. Should such recipient have less than one hundred eighty (180) months of service but have at least one hundred twenty (120) months of service, fifty percent (50%) of such premium shall be paid from the insurance trust fund or accounts established pursuant to 26 U.S.C. sec. 401(h) within

1 the funds established in KRS 16.510, 61.515, and 78.520, provided
 2 such recipient agrees to pay the remaining fifty percent (50%) by payroll
 3 deduction from his retirement allowance or by another method. Should
 4 such recipient have less than one hundred twenty (120) months of
 5 service but have at least forty-eight (48) months of service, twenty-five
 6 percent (25%) of such premium shall be paid from the insurance trust
 7 fund or accounts established pursuant to 26 U.S.C. sec. 401(h) within
 8 the funds established in KRS 16.510, 61.515, and 78.520, provided
 9 such recipient agrees to pay the remaining seventy-five percent (75%) by
 10 payroll deduction from his retirement allowance or by another method.
 11 Notwithstanding the foregoing provisions of this subsection, an
 12 employee participating in one (1) of the retirement systems administered
 13 by the Kentucky Retirement Systems who becomes disabled in the line
 14 of duty as defined in KRS 16.505(19) or 61.621, shall have his premium
 15 paid in full as if he had two hundred forty (240) months or more of
 16 service. Further, an employee participating in one (1) of the retirement
 17 systems administered by the Kentucky Retirement Systems who is killed
 18 in the line of duty as defined in KRS 16.505(19) or 61.621, shall have
 19 the premium for the beneficiary, if the beneficiary is the member's
 20 spouse, and for each dependent child paid so long as they individually
 21 remain eligible for a monthly retirement benefit. "Months of service" as
 22 used in this section shall mean the total months of combined service
 23 used to determine benefits under any or all of the three (3) retirement
 24 systems, except service added to determine disability benefits shall not
 25 be counted as "months of service." For current and former employees of
 26 the Council on Postsecondary Education who were employed prior to
 27 January 1, 1993, and who earn at least fifteen (15) years of service credit

1 in the Kentucky Employees Retirement System, "months of service"
 2 shall also include vested service in another retirement system other than
 3 the Kentucky Teachers' Retirement System sponsored by the Council on
 4 Postsecondary Education.

- 5 (b) 1. For a member electing insurance coverage through the Kentucky
 6 Retirement Systems, "months of service" shall include, in addition to
 7 service as described in paragraph (a) of this subsection, service credit in
 8 one (1) of the other state-administered retirement plans.
- 9 2. Effective August 1, 1998, the Kentucky Retirement Systems shall
 10 compute the member's combined service, including service credit in
 11 another state-administered retirement plan, and calculate the portion of
 12 the member's premium to be paid by the insurance trust fund accounts
 13 established pursuant to 26 U.S.C. sec. 401(h) within the funds
 14 established in KRS 16.510, 61.515, and 78.520, according to the criteria
 15 established in paragraph (a) of this subsection. Each state-administered
 16 retirement plan annually shall pay to the insurance trust fund the
 17 percentage of the system's cost of the retiree's monthly contribution for
 18 single coverage for hospital and medical insurance which shall be equal
 19 to the percentage of the member's number of months of service in the
 20 other state-administered retirement plan divided by his total combined
 21 service. The amounts paid by the other state-administered retirement
 22 plans and the insurance trust fund or accounts established pursuant to
 23 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510,
 24 61.515, and 78.520 shall not be more than one hundred percent (100%)
 25 of the monthly contribution adopted by the respective boards of trustees.
- 26 3. A member may not elect coverage for hospital and medical benefits
 27 under this subsection through more than one (1) of the state-

administered retirement plans.

4. A state-administered retirement plan shall not pay any portion of a member's monthly contribution for medical insurance unless the member is a recipient or annuitant of the plan.

5. The premium paid by the Kentucky Retirement Systems insurance trust fund or accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510, 61.515, and 78.520 shall not exceed one hundred percent (100%) of the monthly contribution rate toward hospital and medical insurance coverage approved by the board of trustees of the Kentucky Retirement Systems.

- (4) (a) Group rates under the hospital and medical insurance plan shall be made available to the spouse, each dependent child, and each disabled child, regardless of the disabled child's age, of a recipient who is a former member or the beneficiary, if the premium for the hospital and medical insurance for the spouse, each dependent child, and each disabled child, or beneficiary is paid by payroll deduction from the retirement allowance or by another method. For purposes of this subsection only, a child shall be considered disabled if he has been determined to be eligible for federal Social Security disability benefits or meets the dependent disability standard established by the Department of Employee Insurance in the Personnel Cabinet.

- (b) The other provisions of this section notwithstanding, the insurance trust fund or accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510, 61.515, and 78.520 shall pay a percentage of the monthly contribution for the spouse and for each dependent child of a recipient who was a member of the General Assembly and is receiving a retirement allowance based on General Assembly service, of the Kentucky Employees Retirement System and determined to be in a hazardous position,

of the County Employees Retirement System, and determined to be in a hazardous position or of the State Police Retirement System. The percentage of the monthly contribution paid for the spouse and each dependent child of a recipient who was in a hazardous position shall be based solely on the member's service with the State Police Retirement System or service in a hazardous position using the formula in subsection (3)(a) of this section, except that for any recipient of a retirement allowance from the County Employees Retirement System who was contributing to the system on January 1, 1998, for service in a hazardous position, the percentage of the monthly contribution shall be based on the total of hazardous service and any nonhazardous service as a police or firefighter with the same agency, if that agency was participating in the County Employees Retirement System but did not offer hazardous duty coverage for its police and firefighters at the time of initial participation.

- (c) The insurance trust fund or accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510, KRS 61.515, and 78.520 shall continue the same level of coverage for a recipient who was a member of the County Employees Retirement System after the age of sixty-five (65) as before the age of sixty-five (65), if the recipient is not eligible for Medicare coverage. If the insurance trust fund or accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510, 61.515, and 78.520 provides coverage for the spouse or each dependent child of a former member of the County Employees Retirement System, the insurance trust fund or accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510, 61.515, and 78.520 shall continue the same level of coverage for the spouse or each dependent child after the age of sixty-five (65) as before the age of sixty-five (65), if the spouse or dependent child

1 is not eligible for Medicare coverage.

2 (5) After July 1, 1998, notwithstanding any other provision to the contrary, a member
3 who holds a judicial office but did not elect to participate in the Judicial Retirement
4 Plan and is participating instead in the Kentucky Employees Retirement System, the
5 County Employees Retirement System, or the State Police Retirement System, as
6 provided in KRS 61.680, and who has at least twenty (20) years of total service,
7 one-half (1/2) of which is in a judicial office, shall receive the same hospital and
8 medical insurance benefits, including paid benefits for spouse and dependents, as
9 provided to persons retiring under the provisions of KRS 21.427. The
10 Administrative Office of the Courts shall pay the cost of the medical insurance
11 benefits provided by this subsection.

12 (6) Premiums paid for hospital and medical insurance coverage procured under
13 authority of this section shall be exempt from any premium tax which might
14 otherwise be required under KRS Chapter 136. The payment of premiums by the
15 insurance trust fund or accounts established pursuant to 26 U.S.C. sec. 401(h)
16 within the funds established in KRS 16.510, 61.515, and 78.520 shall not
17 constitute taxable income to an insured recipient. No commission shall be paid for
18 hospital and medical insurance procured under authority of this section.

19 (7) The board shall promulgate an administrative regulation to establish a medical
20 insurance reimbursement plan to provide reimbursement for hospital and medical
21 insurance premiums of recipients of a retirement allowance who are not eligible for
22 the same level of hospital and medical benefits as recipients living in Kentucky and
23 having the same Medicare hospital and medical insurance eligibility status. An
24 eligible recipient shall file proof of payment for hospital and medical insurance at
25 the retirement office. Reimbursement to eligible recipients shall be made on a
26 quarterly basis. The recipient shall be eligible for reimbursement of substantiated
27 medical insurance premiums for an amount not to exceed the total monthly

1 premium determined under subsection (3) of this section. The plan shall not be
 2 made available if all recipients are eligible for the same coverage as recipients
 3 living in Kentucky.

4 (8) (a) 1. For employees having a membership date on or after July 1, 2003, and
 5 before September 1, 2008, participation in the insurance benefits
 6 provided under this section shall not be allowed until the employee has
 7 earned at least one hundred twenty (120) months of service in the state-
 8 administered retirement systems.

9 2. For an employee having a membership date on or after September 1,
 10 2008, participation in the insurance benefits provided under this section
 11 shall not be allowed until the employee has earned at least one hundred
 12 eighty (180) months of service credited under KRS 16.543(1),
 13 61.543(1), or 78.615(1) or another state-administered retirement system.

14 (b) An employee who meets the minimum service requirements as provided by
 15 paragraph (a) of this subsection shall be eligible for benefits as follows:

16 1. For employees who are not in a hazardous position, a monthly insurance
 17 contribution of ten dollars (\$10) for each year of service as a
 18 participating employee.

19 2. For employees who are in a hazardous position or who participate in the
 20 State Police Retirement System, a monthly insurance contribution of
 21 fifteen dollars (\$15) for each year of service as a participating employee
 22 in a hazardous position or as a participating member of the State Police
 23 Retirement System. Upon the death of the retired member, the
 24 beneficiary, if the beneficiary is the member's spouse, shall be entitled to
 25 a monthly insurance contribution of ten dollars (\$10) for each year of
 26 service the member attained as a participating employee in a hazardous
 27 position or as a participating member of the State Police Retirement

1 System.

2 (c) 1. The minimum service requirement to participate in benefits as provided
 3 by paragraph (a) of this subsection shall be waived for a member who is
 4 disabled or killed in the line of duty as defined in KRS 16.505(19)~~or~~
 5 KRS ~~61.621~~, and the member or his spouse and eligible
 6 dependents~~[beneficiary]~~ shall be entitled to the benefits payable under
 7 this subsection as though the member had twenty (20) years of service in
 8 a hazardous position.

9 2. The minimum service required to participate in benefits as provided by
 10 paragraph (a) of this subsection shall be waived for a member who is
 11 disabled in the line of duty as defined in KRS 61.621, and the member
 12 shall be entitled to the benefits payable under this subsection as
 13 though the member has twenty (20) years of service in a
 14 nonhazardous position.

15 3. The minimum service required to participate in benefits as provided by
 16 paragraph (a) of this subsection shall be waived for a member who is
 17 killed in the line of duty as described in KRS 61.621, and the
 18 member's spouse and eligible dependents shall be entitled to the
 19 benefits payable under this subsection as though the member has
 20 twenty (20) years of service in a hazardous position.

21 (d) The monthly insurance contribution amount shall be increased July 1 of each
 22 year by one and one-half percent (1.5%). The increase shall be cumulative and
 23 shall continue to accrue after the member's retirement for as long as a monthly
 24 insurance contribution is payable to the retired member or beneficiary.

25 (e) The benefits of this subsection provided to a member whose participation
 26 begins on or after July 1, 2003, shall not be considered as benefits protected
 27 by the inviolable contract provisions of KRS 61.692, 16.652, and 78.852. The

1 General Assembly reserves the right to suspend or reduce the benefits
 2 conferred in this subsection if in its judgment the welfare of the
 3 Commonwealth so demands.

4 (f) An employee whose membership date is on or after September 1, 2008, who
 5 retires and is reemployed in a regular full-time position required to participate
 6 in one (1) of the systems administered by Kentucky Retirement Systems shall
 7 not be eligible for health insurance coverage or benefits provided by this
 8 section and shall take coverage with his or her employing agency during the
 9 period of reemployment in a regular full-time position.

10 ➔ Section 23. KRS 61.705 is amended to read as follows:

11 (1) Upon the death of a retired member of the Kentucky Employees Retirement System,
 12 County Employees Retirement System, or State Police Retirement System who was
 13 receiving a monthly retirement allowance based on a minimum of forty-eight (48)
 14 months of service or whose retirement allowance based on a minimum of forty-
 15 eight (48) months was suspended in accordance with KRS 61.637, a death benefit
 16 of five thousand dollars (\$5,000) shall be paid. If the retired member had more than
 17 one (1) account in the Kentucky Employees Retirement System, County Employees
 18 Retirement System, or State Police Retirement System, the system shall pay only
 19 one (1) five thousand dollar (\$5,000) death benefit. Application for the death benefit
 20 made to the Kentucky Retirement Systems shall include acceptable evidence of
 21 death and of the eligibility of the applicant to act on the deceased retired member's
 22 behalf.

23 (2) The death benefit shall be paid to a beneficiary named by the retired member. Upon
 24 retirement or any time thereafter, the retired member may designate on the form
 25 prescribed by the board, death benefit designation, a person~~[an individual]~~, the
 26 retired member's~~[his]~~ estate, a trust or trustee, or a licensed funeral home, as the
 27 beneficiary of the death benefit. The beneficiary for the death benefit may or may

1 not be the same beneficiary designated in accordance with KRS 61.590(1). If the
 2 beneficiary designated under this section is a person and that person dies prior to
 3 the member, or if the beneficiary was the retired member's spouse and they were
 4 divorced on the date of the retired member's death, then the retired member's estate
 5 shall become the beneficiary, unless the retired member has filed a subsequent death
 6 benefit designation. If a licensed funeral home is designated as beneficiary and
 7 the licensed funeral home cannot be reasonably identified or located by Kentucky
 8 Retirement Systems at the time of the retired member's death, then the retired
 9 member's estate shall become the beneficiary of the death benefit.

10 (3) If, at the time of the retired member's death, a debt to the Kentucky Retirement
 11 Systems remains on his or her account, the balance owed shall be deducted from
 12 the five thousand dollar (\$5,000) death benefit.

13 ➔ Section 24. KRS 78.510 is amended to read as follows:

14 As used in KRS 78.510 to 78.852, unless the context otherwise requires:

- 15 (1) "System" means the County Employees Retirement System;
- 16 (2) "Board" means the board of trustees of the system as provided in KRS 78.780;
- 17 (3) "County" means any county, or nonprofit organization created and governed by a
 18 county, counties, or elected county officers, sheriff and his employees, county clerk
 19 and his employees, circuit clerk and his deputies, former circuit clerks or former
 20 circuit clerk deputies, or political subdivision or instrumentality, including school
 21 boards, charter county government, or urban-county government participating in the
 22 system by order appropriate to its governmental structure, as provided in KRS
 23 78.530, and if the board is willing to accept the agency, organization, or
 24 corporation, the board being hereby granted the authority to determine the eligibility
 25 of the agency to participate;
- 26 (4) "School board" means any board of education participating in the system by order
 27 appropriate to its governmental structure, as provided in KRS 78.530, and if the

1 board is willing to accept the agency or corporation, the board being hereby granted
 2 the authority to determine the eligibility of the agency to participate;

3 (5) "Examiner" means the medical examiners as provided in KRS 61.665;

4 (6) "Employee" means every regular full-time appointed or elective officer or employee
 5 of a participating county and the coroner of a participating county, whether or not he
 6 qualifies as a regular full-time officer. The term shall not include persons engaged
 7 as independent contractors, seasonal, emergency, temporary, and part-time workers.
 8 In case of any doubt, the board shall determine if a person is an employee within the
 9 meaning of KRS 78.510 to 78.852;

10 (7) "Employer" means a county, as defined in subsection (3) of this section, the elected
 11 officials of a county, or any authority of the county having the power to appoint or
 12 elect an employee to office or employment in the county;

13 (8) "Member" means any employee who is included in the membership of the system or
 14 any former employee whose membership has not been terminated under KRS
 15 61.535;

16 (9) "Service" means the total of current service and prior service as defined in this
 17 section;

18 (10) "Current service" means the number of years and months of employment as an
 19 employee, on and after July 1, 1958, for which creditable compensation is paid and
 20 employee contributions deducted, except as otherwise provided;

21 (11) "Prior service" means the number of years and completed months, expressed as a
 22 fraction of a year, of employment as an employee, prior to July 1, 1958, for which
 23 creditable compensation was paid. An employee shall be credited with one (1)
 24 month of prior service only in those months he received compensation for at least
 25 one hundred (100) hours of work. Twelve (12) months of current service in the
 26 system shall be required to validate prior service;

27 (12) "Accumulated contributions" means the sum of all amounts deducted from the

1 compensation of a member and credited to his individual account in the members'
 2 contribution account, including employee contributions picked up after August 1,
 3 1982, pursuant to KRS 78.610(4), together with interest credited on the amounts,
 4 and any other amounts the member shall have contributed thereto, including interest
 5 credited thereon. For members who begin participating on or after September 1,
 6 2008, "accumulated contributions" shall not include employee contributions that
 7 are deposited into accounts established pursuant to 26 U.S.C. sec. 401(h) within
 8 the funds established in KRS 16.510, 61.515, and 78.520, as prescribed by
 9 subsection (2)(b) of Section 22 of this Act;

10 (13) "Creditable compensation" means all salary, wages, and fees, including payments
 11 for compensatory time, paid to the employee as a result of services performed for
 12 the employer or for time during which the member is on paid leave, which are
 13 includable on the member's federal form W-2 wage and tax statement under the
 14 heading "wages, tips, other compensation", including employee contributions
 15 picked up after August 1, 1982, pursuant to KRS 78.610(4). A lump-sum bonus,
 16 severance pay, or employer-provided payment for purchase of service credit shall be
 17 included as creditable compensation but shall be averaged over the employee's
 18 service with the system in which it is recorded if it is equal to or greater than one
 19 thousand dollars (\$1,000). If compensation includes maintenance and other
 20 perquisites, the board shall fix the value of that part of the compensation not paid in
 21 money. Living allowances, expense reimbursements, lump-sum payments for
 22 accrued vacation leave, sick leave except as provided in KRS 78.616(5), and other
 23 items determined by the board shall be excluded. Creditable compensation shall
 24 also include amounts that are not includable in the member's gross income by virtue
 25 of the member having taken a voluntary salary reduction provided for under
 26 applicable provisions of the Internal Revenue Code. Creditable compensation shall
 27 also include elective amounts for qualified transportation fringes paid or made

1 available on or after January 1, 2001, for calendar years on or after January 1, 2001,
2 that are not includable in the gross income of the employee by reason of 26 U.S.C.
3 sec. 132(f)(4). For employees who begin participating on or after September 1,
4 2008, creditable compensation shall not include payments for compensatory time;

5 (14) "Final compensation" means:

6 (a) For a member who begins participating before September 1, 2008, who is not
7 employed in a hazardous position, as provided in KRS 61.592, the creditable
8 compensation of the member during the five (5) fiscal years he was paid at the
9 highest average monthly rate divided by the number of months of service
10 credit during that five (5) year period multiplied by twelve (12). The five (5)
11 years may be fractional and need not be consecutive. If the number of months
12 of service credit during the five (5) year period is less than forty-eight (48),
13 one (1) or more additional fiscal years shall be used;

14 (b) For a member who is not employed in a hazardous position, as provided in
15 KRS 61.592, whose effective retirement date is between August 1, 2001, and
16 January 1, 2009, and whose total service credit is at least twenty-seven (27)
17 years and whose age and years of service total at least seventy-five (75), final
18 compensation means the creditable compensation of the member during the
19 three (3) fiscal years the member was paid at the highest average monthly rate
20 divided by the number of months of service credit during that three (3) year
21 period multiplied by twelve (12). The three (3) years may be fractional and
22 need not be consecutive. If the number of months of service credit during the
23 three (3) year period is less than twenty-four (24), one (1) or more additional
24 fiscal years shall be used. Notwithstanding the provision of KRS 61.565, the
25 funding for this paragraph shall be provided from existing funds of the
26 retirement allowance;

27 (c) For a member who begins participating before September 1, 2008, who is

employed in a hazardous position, as provided in KRS 61.592, the creditable compensation of the member during the three (3) fiscal years he was paid at the highest average monthly rate divided by the number of months of service credit during that three (3) year period multiplied by twelve (12). The three (3) years may be fractional and need not be consecutive. If the number of months of service credit during the three (3) year period is less than twenty-four (24), one (1) or more additional fiscal years shall be used;

(d) For a member who begins participating on or after September 1, 2008, who is not employed in a hazardous position, as provided in KRS 61.592, the creditable compensation of the member during the five (5) complete fiscal years immediately preceding retirement divided by five (5). Each fiscal year used to determine final compensation must contain twelve (12) months of service credit; or

(e) For a member who begins participating on or after September 1, 2008, who is employed in a hazardous position, as provided in KRS 61.592, the creditable compensation of the member during the three (3) complete fiscal years he was paid at the highest average monthly rate divided by three (3). Each fiscal year used to determine final compensation must contain twelve (12) months of service credit;

(15) "Final rate of pay" means the actual rate upon which earnings of an employee were calculated during the twelve (12) month period immediately preceding the member's effective retirement date, and shall include employee contributions picked up after August 1, 1982, pursuant to KRS 78.610(4). The rate shall be certified to the system by the employer and the following equivalents shall be used to convert the rate to an annual rate: two thousand eighty (2,080) hours for eight (8) hour workdays, one thousand nine hundred fifty (1,950) hours for seven and one-half (7.5) hour workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve

- 1 (12) months, one (1) year;
- 2 (16) "Retirement allowance" means the retirement payments to which a member is
3 entitled;
- 4 (17) "Actuarial equivalent" means a benefit of equal value when computed upon the
5 basis of the actuarial tables~~[as are from time to time]~~ adopted by the board. *In*
6 *cases*~~[, except in case]~~ of disability retirement, the options authorized by KRS
7 61.635 shall be computed by adding ten (10) years to the age of the member, *unless*
8 *the member has chosen the Social Security adjustment option as provided for in*
9 *KRS 61.635(8), in which case the member's actual age shall be used.* No
10 disability retirement option shall be less than the same option computed under early
11 retirement;
- 12 (18) "Normal retirement date" means the sixty-fifth birthday of a member unless
13 otherwise provided in KRS 78.510 to 78.852;
- 14 (19) "Fiscal year" of the system means the twelve (12) months from July 1 through the
15 following June 30, which shall also be the plan year. *The "fiscal year" shall be the*
16 *limitation year used to determine contribution and benefits limits as set out in 26*
17 *U.S.C. sec. 415;*
- 18 (20) "Agency reporting official" means the person designated by the participating agency
19 who shall be responsible for forwarding all employer and employee contributions
20 and a record of the contributions to the system and for performing other
21 administrative duties pursuant to the provisions of KRS 78.510 to 78.852;
- 22 (21) "Regular full-time positions," as used in subsection (6) of this section, shall mean
23 all positions that average one hundred (100) or more hours per month, determined
24 by using the number of hours actually worked in a calendar or fiscal year, or eighty
25 (80), or more hours per month in the case of noncertified employees of school
26 boards, determined by using the number of hours actually worked in a calendar or
27 school year, unless otherwise specified, except:

- 1 (a) Seasonal positions, which although temporary in duration, are positions which
- 2 coincide in duration with a particular season or seasons of the year and that
- 3 may recur regularly from year to year, in which case the period of time shall
- 4 not exceed six (6) months in any event;
- 5 (b) Emergency positions that are positions that do not exceed thirty (30) working
- 6 days and are nonrenewable;
- 7 (c) Temporary, also referred to as probationary, positions that are positions of
- 8 employment with a participating agency for a period of time not to exceed
- 9 twelve (12) months and not renewable; or
- 10 (d) Part-time positions that are positions that may be permanent in duration, but
- 11 that require less than a calendar or fiscal year average of one hundred (100)
- 12 hours of work per month, determined by using the number of months actually
- 13 worked within a calendar or fiscal year, in the performance of duty, except in
- 14 case of noncertified employees of school boards, the school term average shall
- 15 be eighty (80) hours of work per month, determined by using the number of
- 16 months actually worked in a calendar or school year, in the performance of
- 17 duty;
- 18 (22) "Alternate participation plan" means a method of participation in the system as
- 19 provided for by KRS 78.530(3);
- 20 (23) "Retired member" means any former member receiving a retirement allowance or
- 21 any former member who has on file at the retirement office the necessary
- 22 documents for retirement benefits and is no longer contributing to the system;
- 23 (24) "Current rate of pay" means the member's actual hourly, daily, weekly, biweekly,
- 24 monthly, or yearly rate of pay converted to an annual rate as defined in final rate of
- 25 pay. The rate shall be certified by the employer;
- 26 (25) "Beneficiary" means the person, persons, estate, trust, or trustee designated by the
- 27 member in accordance with KRS 61.542 or 61.705 to receive any available benefits

1 in the event of the member's death. As used in KRS 61.702, beneficiary shall not
2 mean an estate, trust, or trustee;

3 (26) "Recipient" means the retired member, the person or persons designated as
4 beneficiary by the member and drawing a retirement allowance as a result of the
5 member's death, or a dependent child drawing a retirement allowance. An alternate
6 payee of a qualified domestic relations order shall be considered a recipient only for
7 purposes of KRS 61.691;

8 (27) "Person" means a natural person;

9 (28) "School term or year" means the twelve (12) months from July 1 through the
10 following June 30;

11 (29) "Retirement office" means the Kentucky Retirement Systems office building in
12 Frankfort;

13 (30) "Delayed contribution payment" means an amount paid by an employee for current
14 service obtained under KRS 61.552. The amount shall be determined using the
15 same formula in KRS 61.5525, except the determination of the actuarial cost for
16 classified employees of a school board shall be based on their final compensation,
17 and the payment shall not be picked up by the employer. A delayed contribution
18 payment shall be deposited to the member's contribution account and considered as
19 accumulated contributions of the individual member. In determining payments
20 under this subsection, the formula found in this subsection shall prevail over the one
21 found in KRS 212.434;

22 (31) "Participating" means an employee is currently earning service credit in the system
23 as provided in KRS 78.615;~~and~~

24 (32) "Month" means a calendar month; and

25 (33) "Membership date" means the date upon which the member began participating
26 in the system as provided in KRS 78.615.

27 ➔Section 25. KRS 78.625 is amended to read as follows:

- 1 (1) The agency reporting official of the county shall, by the tenth day of each month,
 2 file at the retirement office~~[forward to the system]~~ an amount equal to the
 3 aggregate amount of the employees' contributions deducted during the previous
 4 month in accordance with KRS 78.610 and the aggregate amount of the employer's
 5 contributions due for the previous month in accordance with KRS 61.565.
- 6 (2) The agency reporting official or some other person designated by the county shall,
 7 by the tenth day of each month, file at the retirement office~~[forward]~~ a record of
 8 all contributions to the system on the forms the board prescribes.
- 9 (3) (a) If the agency reporting official fails to file at the retirement office~~[forward]~~
 10 all contributions and reports on or before the tenth day of the month
 11 following the period being reported, interest on the delinquent contributions at
 12 the actuarial rate adopted by the board compounded annually, but not less than
 13 one thousand dollars (\$1,000), shall be added to the amount due the system.
- 14 (b) Delinquent contributions, with interest at the rate adopted by the board
 15 compounded annually, or penalties may be recovered by action in the Franklin
 16 Circuit Court against the county liable or may, at the request of the board, be
 17 deducted from any other moneys payable to the county by any department or
 18 agency of the state.
- 19 (4) If an agency is delinquent in the payment of contributions due in accordance with
 20 any of the provisions of KRS 78.510 to 78.852, refunds and retirement allowance
 21 payments to members of this agency may be suspended until the delinquent
 22 contributions, with interest at the rate adopted by the board compounded annually,
 23 or penalties have been paid to the system.
- 24 ➔Section 26. KRS 78.630 is amended to read as follows:
- 25 All of the assets of the system shall be held and invested in the county employees'
 26 retirement fund and credited, according to the purpose for which they are held, to one (1)
 27 of three (3)~~[two (2)]~~ accounts, namely, the members' contribution account,~~[and]~~ the

1 retirement allowance account, and accounts established pursuant to 26 U.S.C. sec.
 2 401(h) within the funds established in KRS 16.510, 61.515, and 78.520, as prescribed
 3 by subsection (2)(b) of Section 22 of this Act.

4 ➔ Section 27. KRS 78.640 is amended to read as follows:

- 5 (1) The members' contribution account shall be the account to which all members'
 6 contributions, or contributions picked up by the employer after August 1, 1982, and
 7 interest allowances as provided in KRS 78.510 to 78.852 shall be credited, except
 8 as provided by subsection (2)(b) of Section 22 of this Act. From this account shall
 9 be paid the accumulated contributions of a member required to be returned to him
 10 upon withdrawal, or paid in the event of his death before retirement. Prior to the
 11 member's retirement, death, or refund in accordance with KRS 61.625, no funds
 12 shall be made available from the member contribution account.
- 13 (2) Each member's contribution or contribution picked up by the employer shall be
 14 credited to the individual account of the contributing member, except as provided
 15 by subsection (2)(b) of Section 22 of this Act.
- 16 (3) (a) Each member on June 30 of each year shall have his individual account
 17 credited with interest.
- 18 (b) For a member who begins participating before September 1, 2008, interest
 19 shall be credited to his individual account at a rate determined by the board
 20 but not less than two percent (2%) per annum on the accumulated
 21 contributions of the member on June 30 of the preceding fiscal year.
- 22 (c) For a member who begins participating on or after September 1, 2008, interest
 23 shall be credited to his or her individual account at a rate of two and one-half
 24 percent (2.5%) per annum on the accumulated contributions of the member on
 25 June 30 of the preceding fiscal year.
- 26 (d) The amounts of interest credited to a member's account under this subsection
 27 shall be transferred from the retirement allowance account.

1 (4) Upon the retirement of a member, his accumulated contributions shall be transferred
 2 from the members' contribution account to the retirement allowance account.

3 ➔ Section 28. KRS 16.645 is amended to read as follows:

4 The following subjects shall be administered in the same manner subject to the same
 5 limitations and requirements as provided for the Kentucky Employees Retirement System
 6 as follows:

- 7 (1) Cessation of membership, as provided for by KRS 61.535;
- 8 (2) Medical examiners and hearing procedures, as provided for by KRS 61.665;
- 9 (3) Actuarial bases, as provided for by KRS 61.670;
- 10 (4) Duties of the employer, as provided for by KRS 61.675;
- 11 (5) Exemption of benefits of the system for taxation, as provided for by KRS 61.690;
- 12 (6) Retirement allowance increase, as provided for by KRS 61.691;
- 13 (7) Calculation of retirement allowance, as provided for by KRS 61.595(3) and (4);
- 14 (8) Beneficiaries to be designated by member, change, rights, as provided for by KRS
 15 61.542;
- 16 (9) Year of service credit, as provided for by KRS 61.545;
- 17 (10) Refund of contributions, death after retirement, as provided by KRS 61.630;
- 18 (11) Custodian of fund, payments made, when, as provided for by KRS 61.660;
- 19 (12) Credit for service prior to membership date, as provided for by KRS 61.526;
- 20 ~~(13) Transfer of dormant accounts, as provided for by KRS 61.626;~~
- 21 ~~(14) Member's account, confidential, as provided for by KRS 61.661;~~
- 22 (14)~~(15)~~ Cessation of membership, loss of benefits, as provided for by KRS 61.550;
- 23 (15)~~(16)~~ Correction of errors in records, as provided for by KRS 61.685;
- 24 (16)~~(17)~~ Maximum disability benefit, as provided for by KRS 61.607;
- 25 (17)~~(18)~~ Retirement application procedure, effective retirement date, as provided for by
 26 KRS 61.590;
- 27 (18)~~(19)~~ Employer contributions, as provided for by KRS 61.565;

- 1 ~~(19)~~~~(20)~~ Reinstatement of lost service credit, purchase of service credit, interest paid,
2 and delayed contribution and installment payments, as provided for by KRS 61.552;
- 3 ~~(20)~~~~(21)~~ Reciprocal arrangement between systems, as provided by KRS 61.680;
- 4 ~~(21)~~~~(22)~~ Refund of contributions, conditions, as provided by KRS 61.625;
- 5 ~~(22)~~~~(23)~~ Hospital and medical insurance plan, as provided by KRS 61.702;
- 6 ~~(23)~~~~(24)~~ Death benefit, as provided by KRS 61.705;
- 7 ~~(24)~~~~(25)~~ Disability retirement allowance, reduction, and discontinuance, as provided by
8 KRS 61.615;
- 9 ~~(25)~~~~(26)~~ Service credit, Armed Forces, as provided by KRS 61.555;
- 10 ~~(26)~~~~(27)~~ Reinstated employee, contributions on creditable compensation, as provided
11 for by KRS 61.569;
- 12 ~~(27)~~~~(28)~~ Statement to be made under oath, good faith reliance, as provided for in KRS
13 61.699;
- 14 ~~(28)~~~~(29)~~ Retirement of persons in hazardous positions, as provided for by KRS 61.592;
- 15 ~~(29)~~~~(30)~~ Direct deposit of recipient's retirement allowance as provided in KRS 61.623;
- 16 ~~(30)~~~~(31)~~ Purchase of service credit effective July 1, 2001, as provided in KRS 61.5525;
- 17 ~~(31)~~~~(32)~~ Payment of small amounts upon death of member, retiree, or recipient without
18 formal administration of the estate as provided in KRS 61.703;
- 19 ~~(32)~~~~(33)~~ Suspension of retirement payments on reemployment, reinstatement,
20 recomputation of allowance, waiver of provisions in certain instances,
21 reemployment in a different position, as provided for by KRS 61.637; and
- 22 ~~(33)~~~~(34)~~ Medical examination and financial review after disability retirement, staff
23 review, as provided in KRS 61.610.

24 ➔ Section 29. KRS 78.545 is amended to read as follows:

25 The following matters shall be administered in the same manner subject to the same
26 limitations and requirements as provided for the Kentucky Employees Retirement System
27 as follows:

- 1 (1) Cessation of membership, conditions, as provided for by KRS 61.535;
- 2 (2) Statement of member and employer, as provided for by KRS 61.540;
- 3 (3) Beneficiary to be designated by member, change, rights, as provided for by KRS
- 4 61.542;
- 5 (4) Service credit determination, as provided for by KRS 61.545;
- 6 (5) Cessation of membership, loss of benefits, as provided for by KRS 61.550;
- 7 (6) Service credit, Armed Forces, as provided for by KRS 61.555;
- 8 (7) Normal and early retirement eligibility requirements, as provided for by KRS
- 9 61.559;
- 10 (8) Retirement allowance increases as provided for by KRS 61.691;
- 11 (9) Retirement application procedure, effective retirement date, as provided for by KRS
- 12 61.590;
- 13 (10) Disability retirement, conditions, as provided for by KRS 61.600;
- 14 (11) Disability retirement, allowance, as provided for by KRS 61.605;
- 15 (12) Medical examination after disability retirement, as provided for by KRS 61.610;
- 16 (13) Disability retirement allowance, reduction, as provided for by KRS 61.615;
- 17 (14) Determination of retirement allowance, as provided for by KRS 61.595;
- 18 (15) Refund of contributions, conditions, as provided for by KRS 61.625;
- 19 (16) Refund of contributions, death after retirement, as provided for by KRS 61.630;
- 20 (17) Optional retirement plans, as provided for by KRS 61.635;
- 21 (18) Suspension of retirement payments on reemployment, reinstatement, as provided for
- 22 by KRS 61.637;
- 23 (19) Death before retirement, beneficiary's options, as provided for by KRS 61.640;
- 24 (20) Board of trustees, conflict of interest, as provided for by KRS 61.655;
- 25 (21) Custodian of funds, payments made, when, as provided for by KRS 61.660;
- 26 (22) Medical examiners and hearing procedures, as provided for by KRS 61.665;
- 27 (23) Actuarial bases, as provided for by KRS 61.670;

- 1 (24) Employer's administrative duties, as provided for by KRS 61.675;
- 2 (25) Correction of errors in records, as provided for by KRS 61.685;
- 3 (26) Exemptions of retirement allowances, as provided for by KRS 61.690;
- 4 (27) Credit for service prior to membership date, as provided for by KRS 61.526;
- 5 (28) Creditable compensation of fee officers, as provided for by KRS 61.541;
- 6 ~~(29) Transfer of dormant accounts, as provided for by KRS 61.626;~~
- 7 ~~(30)~~ Members' account, confidential, as provided for by KRS 61.661;
- 8 ~~(30)~~~~(31)~~ Retirement plan for employees determined to be in a hazardous position, as
9 provided for by KRS 61.592;
- 10 ~~(31)~~~~(32)~~ Maximum disability benefit, as provided for by KRS 61.607;
- 11 ~~(32)~~~~(33)~~ Consent of employees to deductions and reciprocal arrangement between
12 systems, as provided for by KRS 61.680;
- 13 ~~(33)~~~~(34)~~ Employer contributions, as provided for by KRS 61.565;
- 14 ~~(34)~~~~(35)~~ Recontribution and delayed contribution payments, purchase of service credit,
15 interest, and installment payments, as provided for by KRS 61.552;
- 16 ~~(35)~~~~(36)~~ Hospital and medical insurance plan, as provided by KRS 61.702;
- 17 ~~(36)~~~~(37)~~ Death benefit, as provided by KRS 61.705;
- 18 ~~(37)~~~~(38)~~ Reinstated employee, contributions on creditable compensation, as provided
19 for by KRS 61.569;
- 20 ~~(38)~~~~(39)~~ Statement to be made under oath, good faith reliance, as provided for in KRS
21 61.699;
- 22 ~~(39)~~~~(40)~~ Disability procedure for members in hazardous positions as provided for in
23 KRS 16.582;
- 24 ~~(40)~~~~(41)~~ Direct deposit of recipient's retirement allowance as provided for in KRS
25 61.623;
- 26 ~~(41)~~~~(42)~~ Death or disability from a duty-related injury as provided in KRS 61.621;
- 27 ~~(42)~~~~(43)~~ Purchase of service credit effective July 1, 2001, as provided in KRS 61.5525;

1 and

2 ~~(43)~~[(44)] Payment of small accounts upon death of member, retiree, or recipient without

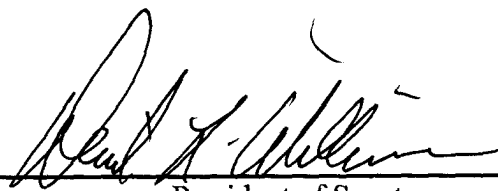
3 formal administration of the estate as provided in KRS 61.703.

4 ➔Section 30. The following KRS section is repealed:


5 61.626 Transfer of contributions -- Conditions.



Speaker-House of Representatives



President of Senate

Attest: 

Chief Clerk of House of Representatives

Approved 

Governor

Date March 24, 2009